# Annual report and accounts 2023

AG Barr
BUILDING GREAT BRANDS

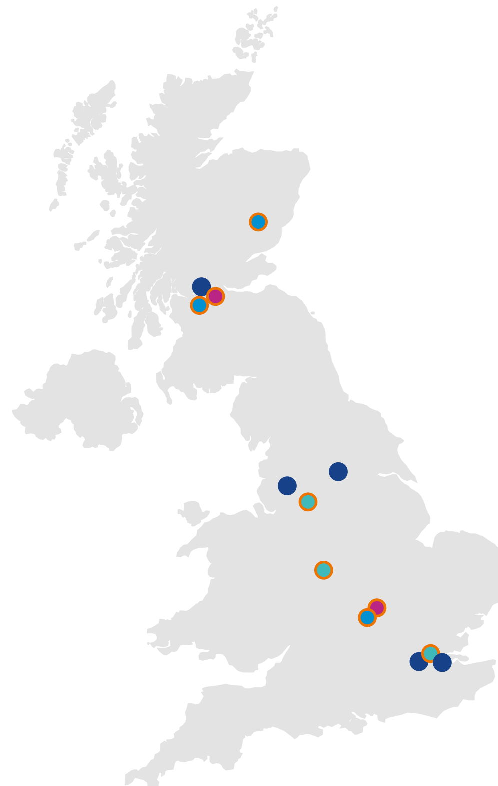
# Introduction

## A.G. Barr is a UK-based branded multi beverage business focused on growth and the creation of long-term shareholder value.

## Ambitious and value driven, with strong consumer focus, we are brand owners and builders, offering a diverse and differentiated portfolio of brands that people love.

Established over 145 years ago in Scotland, now operating across the UK and with export markets throughout the world, we strive to grow our business both organically and through targeted acquisition.

Employing over 1,000 people across four business units and ten UK locations, we are proud to be a responsible business that listens to our consumers, builds lasting customer relationships, takes care of our people, values diversity, gives something back to our communities and works to minimise our environmental impact.



**Our locations**

**Offices**
Cumbernauld – Head Office; Bolton (Barr Soft Drinks); Camden (FUNKIN); Deptford (MOMA); Leeds (Boost)

**Barr Soft Drinks**

**Factories**
Cumbernauld; Milton Keynes; Forfar

**Distribution centres**
Cumbernauld; Milton Keynes

**Distribution depots**
Dagenham; Moston; Wednesbury

For more information visit our website agbarr.co.uk

Welcome

# Purpose, values and culture

## Our purpose is:

## To create value, with values – for our shareholders, consumers, customers and for society as a whole

## We do this by:

## Building great brands

Our business purpose has always been underpinned by strong values. We believe that how we act reflects who and what we are. We strive to behave responsibly across our four core values:

For over 145 years we have developed a positive, results-driven and supportive culture. As we grow our business organically and through acquisition, it is important that we retain the entrepreneurial spirit of the new and exciting additions to our Group, while also ensuring that we continue to value and nurture the unique essence of what makes A.G. Barr a great business to be part of.

**For more information on our people, culture and employee values see pages 34 to 38 →**

### Acting with integrity

### Respecting the environment

### Supporting healthy living

### Giving back

# In this report



**Corporate Governance**
Our section 172(1) statement describing how the directors have had regard to the matters set out in section 172(1)(a) to (f) when performing their duties under section 172 of the Companies Act 2006 is set out in the Corporate Governance Report on pages 60 to 71 and is incorporated by reference into this Strategic Report.

## 2023 highlights

# Highlights of the year

**Revenue**

**£317.6m**
+18.2%

**Adjusted profit before tax***

**£43.5m**
+13.3%

**Employee engagement**

**75%**

**Basic earnings per share (EPS)**

**30.47p**
+21.4%

**Full year dividend***

**13.1p**

**Acquisitions during the year**

**2**
Boost drinks and MOMA.

**Women in Leadership**

**38%**

**No Time To Waste** Environmental Sustainability Programme

**100%**
Science-based targets approved and our first 100% recycled plastic bottles in market.

For more information on our Non-financial KPIs see page 32 →

* Items marked with an asterisk are non-GAAP measures. Definitions and relevant reconciliations are provided in the Glossary on pages 199 to 204.

# Our investment case

**01**
Ambitious with value-driven strategy

**02**
Strong core brands with challenger mentality

**03**
Clear growth opportunities

**04**
Disciplined capital allocation

**05**
Responsible and sustainable

**06**
Financial strength

**FIND OUT MORE ABOUT OUR COMPETITIVE ADVANTAGES**
Our business model can be found on **pages 8 and 9**

# Why invest in us?

# Our business and brands

We are brand owners and builders, offering a diverse and differentiated portfolio of brands that people love.

| Business units | Number of brands |
|---|---|
| 4 | 16 |

## Barr Soft Drinks

| Established | Employees |
|---|---|
| 1875 | 922 |

At our core is the Barr Soft Drinks business unit, home to some of the UK's most loved soft drinks brands.

Whether it's the iconic **IRN-BRU**, launched in 1901 and still going strong today, the vibrant **RUBICON** fruit based brand or the unique range of **BARR** flavours, Barr Soft Drinks' brands offer people a choice of great tasting products and bring exciting innovation to the market, available across multiple channels.

## FUNKIN

| Established | Acquired | Employees |
|---|---|---|
| 1999 | 2015 | 42 |

Our **FUNKIN** business unit operates within the exciting and growing cocktail market.

Real fruit means authentic taste and **FUNKIN** believes that to shake the best cocktail you have to use the best ingredients. That's why they use the best fruit to create their premium products, famous amongst top bartenders. Now the UK's number 1 cocktail brand **FUNKIN** provides innovative and unique purées, syrups, mixers and ready to drink cocktails, for behind the bar and at home. Making ordinary moments extraordinary.

| Number of employees | UK Sites |
|---|---|
| **1,014** | **10** |

**INFORMATION ON OUR FULL PORTFOLIO OF BRANDS**
can be found at **www.agbarr.co.uk/our-brands**

# MOMA

| Established | Acquired | Employees |
|---|---|---|
| 2006 | 2022 | 16 |

**MOMA** uses a blend of the highest quality wholegrain jumbo oats that give its oat drinks a full-bodied flavour and its porridge a distinctively creamy texture.

**MOMA** believes in crafting simple, natural ingredients into food and drink that tastes awesome, because a little extra skill and care turns 'good for you' into 'great'.


# Boost

| Established | Acquired | Employees |
|---|---|---|
| 2006 | 2022 | 34 |

Our **BOOST** business is always looking for new trends and to appeal to the evolving tastes of drinkers.

Proud to offer an exciting range of flavours across several functional drinks categories – Energy Stimulation, Sport and Iced Coffee – **BOOST** enjoys a very strong position within the UK independent retail channel and has an exclusive sales and distribution partnership with the fruit drinks brand **RIO**.

# Chair's introduction

**I am incredibly proud to have taken on the role of Chair at A.G. Barr. I am delighted to report that the business has made excellent progress in pursuit of both its strategic objectives and its short-term operating performance.**

**Mark Allen OBE**
Chair

**Overview**

Following the challenges of the global pandemic we had all hoped for a period of more stability and perhaps some return to normality, however the tragic events in Ukraine have led directly to a significant level of human suffering and we have all felt a sense of collective grief. We have also seen the rise of global economic uncertainty, rampant inflation and the resultant cost of living crisis impacting consumers and businesses.

Against this difficult backdrop the whole team across the A.G. Barr Group has delivered an excellent performance. Reported revenue grew by 18.2% year-on-year and we finished the year with adjusted profit before tax* of £43.5m, 13.3% ahead of the prior year.

**Highlights during the year included:**

- Strong growth across our soft drinks portfolio as consumers return to more established purchasing patterns, post pandemic
- Innovation and growth in cocktails across all channels as FUNKIN consolidated its position as the Number 1 cocktail brand in the UK take home market
- The strength of our balance sheet, our clear strategy and scalable business model have supported the exciting acquisition of Boost Drinks and the early completion of our planned acquisition of the remaining equity in MOMA Foods

The entire A.G. Barr team has remained focused on delivering our brand building strategy, investing for growth and creating a business we are proud of.

**Dividend**

The Board is pleased to maintain its progressive dividend policy and recommends a final dividend of 10.6p per share to give a proposed total dividend for the full year of 13.1p per share. The final dividend is payable on 9 June 2023 to shareholders on the Register of Members at the close of business on 12 May 2023. The ex-dividend date is 11 May 2023.

## Board

In the reporting period we said a fond farewell to John Nicolson who I succeeded in the role of Chair in March 2022. It has been a pleasure to transition into the role working alongside our diverse, experienced and capable Board and management team.

Succession planning is an important Board responsibility and with that in mind I can confirm that after over 62 years with the business, Robin Barr has informed me of his intention to step down from the Board at the Annual General Meeting in 2023. Robin epitomises all that is great in UK corporate leadership – knowledge, honesty, balance, commitment and capability, not to mention experience and a great sense of humour. We will all miss Robin's counsel and camaraderie but after 58 years on the Board we can understand his decision. I am delighted to announce that Julie Barr will relinquish her Company Secretarial duties to join the Board as a Non-Executive Director. Julie, who has been with the Company for 19 years, and is a qualified corporate lawyer, will stand for election at the Annual General Meeting in May.

We will continue to seek to strengthen the capability, diversity and experience of our Board as we grow and develop the Company.

## Responsibility

A.G. Barr has always put responsible behaviour at the heart of its business and the last year has seen further excellent progress across our core areas of focus.

Our environmental sustainability programme **No Time To Waste** has continued to drive innovative thinking and actions across a wide range of areas. We have now agreed and validated our science-based targets as we head towards our net-zero ambition. We have increased our use of more sustainable packaging and are taking a very active role in the run up to the launch of the Deposit Return Scheme (DRS) in Scotland, planned for August 2023.

## People and culture

I believe that A.G. Barr has a unique and positive culture which although longstanding, is embodied, nurtured and developed by the executive leadership team. With high levels of colleague engagement across the Group, each operating business has its own unique feel, but are all connected by some shared A.G. Barr cultural characteristics – a challenger mentality, a people first approach and a drive for performance.

Whilst we have performed well as a Group, in these challenging times we recognise that many of our team are facing a period of difficulty and where possible we have taken steps to support our colleagues. Where appropriate we have tried to make our working patterns as flexible as possible. We continue to provide mental health support to those who want our help and made two special cost of living payments during the course of the year to those in our business who need it most. We are equally as proud of our values and behaviours as we are of our performance.

## Prospects

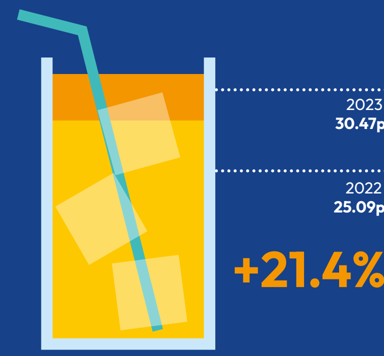
There remain many headwinds to consider as we look forward, however I am confident that the brand momentum, quality and strategy of the business will continue to deliver superior returns to shareholders for many years to come.

**Mark Allen OBE**
Chair
28 March 2023

## Creating value

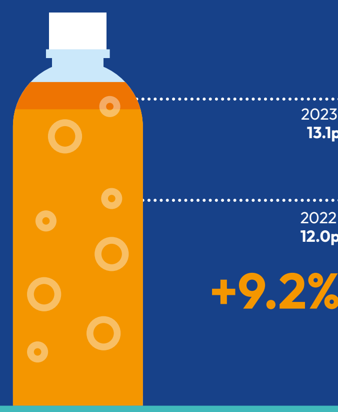
### Basic Earnings Per Share

Reported profit attributable to equity holders divided by weighted average number of shares in issue.




### Dividend

Total dividend declared for the full year excluding any special dividend.




* Items marked with an asterisk are non-GAAP measures. Definitions and relevant reconciliations are provided in the Glossary on pages 199 to 204.

# Our business model

First and foremost we build great brands. We also believe that how we operate sets us apart from the competition. With more than 145 years of history and heritage, coupled with a track record of successful acquisitions, we believe we have a unique blend of experience and entrepreneurialism – all of which is built on our longstanding desire to act responsibly.

### Our people

**1,014**

We are now a bigger Group with four business units, each with its own distinct team and its own unique culture. However what we all share, across the A.G. Barr Group, is a positive challenger mentality and a focus on results. Whether it's our newer colleagues at MOMA or our experienced team at Barr Soft Drinks, we have a passion for our products and a belief that we can succeed, even when positioned beside global competitors. We work collaboratively, enjoy high levels of employee engagement and are proud of our talented and committed teams who are central to our success.

### Our fleet/network

**65**

With our own fleet of more than 65 vehicles, as well as long-standing relationships with our key distribution partners, our business model supports our drive to deliver great service to all our customers, from the biggest food service customer to the smallest local shop.

### Our direct suppliers

**70+**

We work in partnership with our key suppliers to ensure high quality products that are sourced and manufactured in a fair, ethical and environmentally responsible way.

### Our brands

**16**

Our brands are as special as our people. From the unique taste of IRN-BRU to the premium bar quality of our FUNKIN cocktails, we pride ourselves on our diverse and differentiated portfolio of branded products that meet the changing needs of our consumers and offer great choice and value. We listen carefully to our consumers and, as brand owners, we are able to develop and innovate across our portfolio with creativity, pace and insight.

### Our UK locations

**10**

We operate across ten UK sites – our Cumbernauld site is home to our Head Office, as well as Barr Soft Drinks manufacturing, warehousing and sales offices, and across the rest of the UK we have offices at Bolton, Camden, Leeds and Deptford, two further manufacturing facilities at Milton Keynes and Forfar, and three regional distribution depots at Moston, Wednesbury and Dagenham.

## WHAT WE DO

### We make...

We pride ourselves on our safe and effective manufacturing capabilities. We produce high quality products across our well-invested and efficient Barr Soft Drinks production sites in **Cumbernauld, Forfar** and **Milton Keynes**. With glass, carton, plastic and can capability, we produce over 99% of Barr Soft Drinks' products in-house. We also now produce FUNKIN's unique nitro-infused ready to drink cocktails in cans at Milton Keynes. We source all our raw materials, with a particular competency in exotic fruit, develop our own recipes and design all our packaging – all underpinned with the aim of reducing our environmental impact and delivering continuous improvement.

### We move...

Operating across multiple routes to market, we have a well established and efficient distribution network servicing our diverse sales channels. Our Barr Direct channel in particular sets us apart, by offering a tailored and personal direct to store service to thousands of independent retailers across the UK.


FUNKIN's ready to drink cans now produced at Milton Keynes.

## We behave responsibly...

Underpinning everything we do is our belief that how we act reflects who we are. We take our responsibilities seriously and continuously strive to be a sustainable and responsible business that listens to our consumers, takes care of our people, values diversity, works to minimise our environmental impact and gives something back to the communities we serve. We have an important role to play in the transition to a low carbon and climate-resilient economy and this is

## We market...

From IRN-BRU's signature style of maverick adverts to Boost's connection with sporting activity, when it comes to marketing, innovating and building our brands we like to have some fun and to appeal to the widest possible range of consumers. Whether through mainstream advertising, digital and social media, sponsorship or supporting local community events, we use our creativity and consumer insight to deliver distinctive and memorable brand building.

## We sell...

Building long-lasting relationships with our customers across all our key markets is fundamental to our business. Whether it's a large food retailer, a wholesaler, a regional restaurant group or a local independent retailer, we work collaboratively with all our customers to understand their businesses and find winning consumer propositions in a practical and profitable way.

## WE CREATE VALUE, WITH VALUES...

**Our business model has proven successful for more than 145 years and continues to create and deliver value, with values, to a wide range of stakeholders.**

**Shareholders**
£13.9m of dividends paid during the year. £17.0m re-invested in long-term business growth through annual capital expenditure

Dividends paid

**£13.9m**

**Employees**
£44.2m paid in salaries and wages to our employees across the UK

Salaries paid

**£44.2m**

**Suppliers and customers**
Directly contracted with more than 70 suppliers with an annual spend of over £100m while working closely with thousands of customers to co-create joint business plans

Suppliers

**70+**

**UK economy and communities**
With 96% of our revenue generated in the UK, and through our £6.8m corporation tax and £5.4m national insurance payments to the government, we continue to play our part in growing the UK economy while also donating over £90k to good causes across our communities

becoming an increasingly important and integral part of our overall A.G. Barr business model.

Our responsible behaviour also encompasses our management of risk, ensuring that we are thinking ahead and taking mitigating actions to minimise any potential impact on our business. We have a robust risk management framework in place that is embedded across the business, allowing a wide range of employees at different levels to contribute to our risk assessment and assurance processes. In the past 12 months we have taken action in response to a number of identified risks, including making additional payments to some employees in the context of the UK's cost of living crisis, as well as ceasing trading with customers in Russia at the onset of the war in Ukraine.

Years of responsible actions

**145+**

# Our strategy

Our overarching purpose is **to create value, with values** – for our shareholders, consumers, customers and for society as a whole. We do this by building great brands.

Our strategic priorities bring this purpose to life and set out the steps we take to build a great business with great brands.

## Our strategic priorities

### Connecting with consumers

Consumer insight drives our business. Consumer preferences are changing and we take the time to listen, to understand and to respond proactively to ensure our portfolio of brands constantly develops to meet our consumers' changing needs.

At an A.G. Barr Group level this insight is a key factor in how we identify potential acquisition opportunities. We monitor consumer trends closely, specifically in relation to fast moving packaged consumer goods, specifically identifying developments in the beverage sector as well as emerging or high growth categories of interest.

At a business unit level these consumer trends underpin our approach to innovation, including product, packaging and ingredients, as well as our consumer engagement and marketing activities. In the past 12 months we have placed a particular focus on areas such as digital sales and marketing as well as using our brands to raise awareness of our sustainability progress.

### Building brands

We are brand owners and builders, growing our diverse and differentiated brand portfolio both organically and through acquisition.

For our existing portfolio of powerful brands we do this in a number of ways – we innovate, we grow brand awareness and loyalty through consumer engagement activity, and we build our product distribution through effective sales execution with customers.

We are also ambitious, with a proven track record of successfully acquiring new brands. Our core competency lies in soft drinks, however we have broadened our brand portfolio in recent years with a particular focus across the multi-beverage landscape.

### Driving efficiency

We continually strive for greater effectiveness across our business, investing for growth and efficiency, while also ensuring strong financial controls are in place.

From investment in new software platforms to an increasing focus on digital development and automation, as our business develops, we are committed to driving continuous improvement across our processes and infrastructure.

And in our Barr Soft Drinks business unit we have a well-invested asset base where we drive operational improvements and flexibility through our expansionary capital investment programmes, equipping us with some of the industry's most efficient operational capability.

### Building trust

Building and maintaining long-lasting trust and successful relationships is central to our business and always has been. Our responsible behaviour over the last 145 years has created a firm foundation, upon which we want to build further.

Being a trusted business that acts with integrity is fundamental to our stakeholder relationships – from our consumers and customers to our suppliers and communities. Equally, as the world around us changes, with climate change in particular becoming increasingly more pressing, our strategic choices are more than ever informed and supported by our desire to do the right thing and to play our part in addressing the key issues facing the world and society.

We have a clear strategy and quantifiable goals across our four responsibility commitments – Acting with Integrity, Respecting the Environment, Supporting Healthy Living and Giving Back. Whether it's our increased use of recycled materials, our increasing number of women in leadership roles or our charitable giving, we are committed to delivering against our long-term responsibility strategy.

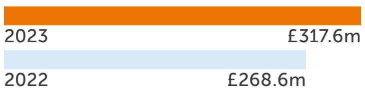
For more information on our Strategy in Action see pages 18 to 29 →

# Financial key performance indicators

**NON-FINANCIAL KPIs**
Can be found on page 32

### Revenue

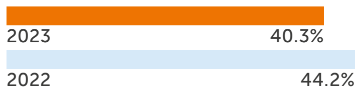
**£317.6m**
18.2%




The increase in value of revenue recorded relative to the prior year.

### Gross margin*

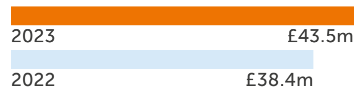
**40.3%**
(390)bps




Reported gross profit divided by revenue.

### Adjusted profit before tax*

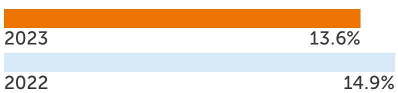
**£43.5m**
13.3%




Adjusted profit before tax is reported profit before tax after adjusting items.

### Adjusted operating margin*

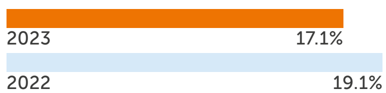
**13.6%**
(130)bps




Adjusted operating profit and before the deduction of interest and taxation, divided by adjusted revenue.

### Adjusted EBITDA margin*

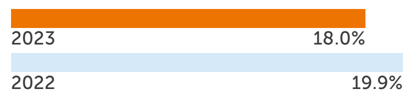
**17.1%**
(204)bps




EBITDA (defined as adjusted operating profit before depreciation and amortisation) divided by adjusted revenue.

### Return on capital employed*

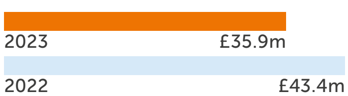
**18.0%**
(191)bps




Reported profit before tax as a percentage of invested capital. Invested capital is defined as year end non-current plus current assets less current liabilities excluding all balances relating to any provisions, financial instruments, interest-bearing liabilities and cash or cash equivalents.

### Net cash from operating activities

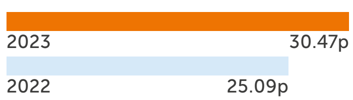
**£35.9m**
(17.3%)




Net cash from operating activities is defined as the cash generated in the ongoing regular business activities in the year.

### Basic earnings per share

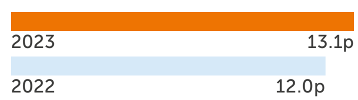
**30.47p**
21.4%




Reported profit attributable to equity holders divided by weighted average number of shares in issue.

### Full year dividend per share*

**13.1p**
9.2%




Total dividend declared for the full year excluding any special dividend.

* Items marked with an asterisk are non-GAAP measures. Definitions and relevant reconciliations are provided in the Glossary on pages 199 to 204.

**CEO AND FINANCIAL REVIEWS**
Can be found on pages 12 and 56

# Chief Executive's review

**"I am pleased to report our results for the 52 weeks ended 29 January 2023. Over the past 12 months we delivered an excellent financial performance and made significant progress across our strategic objectives. We emerged from the pandemic period a stronger business and I would like to thank all the teams across the business, as well as our partners, suppliers and customers, for their support."**

**Roger White**
Chief Executive

## Overview

The following financial metrics quantify our strong performance:

- Reported revenue £317.6m (2022: £268.6m)
- Adjusted profit before tax* £43.5m (2022: £38.4m)
- Reported profit before tax £44.4m (2022: £42.2m)
- Adjusted operating margin* 13.6% (2022: 14.9%)
- Net cash at bank* £52.9m (2022: £68.4m)
- Basic earnings per share 30.47p (2022: 25.09p)

## Strategic objectives

Our overarching purpose – to create value with values – remained central to A.G. Barr across the year, underpinned by our consistent strategic priorities:

- connecting with consumers
- building brands
- driving efficiency
- building trust

We continued to invest in our brands, operations and people, driving innovation and delivering strong organic growth across all our business units. We are proud to have delivered this growth responsibly.

Our organic growth ambition remains as strong as ever, as is our desire to acquire high quality brands with strong future growth potential. This was evidenced in 2022 by the completion of both the Boost Drinks Holdings Limited acquisition and the early completion of full ownership of the MOMA business. Operating in the high growth functional beverage and oat milk categories, both businesses are exciting additions to the A.G. Barr Group.

As our portfolio grows, so does our opportunity to increase our connection and engagement with consumers. By entering different markets, supporting different consumption occasions and appealing to different consumers, we are increasing the long-term growth potential for the Group as a whole.

While the economic uncertainty being felt across the UK has the potential to stifle industry and business progress, we believe that both our brand and financial strengths ensure we are well positioned to invest through the economic cycle. By driving operational efficiency from the bottom up, and by providing great brands that offer real value to consumers, we are in a strong position to accelerate our growth both organically and through further acquisition, in turn creating long-term shareholder value.

### Soft drinks market

The UK's high cost inflation is reflected across the total UK soft drinks retail market, which saw value increase by 8.8% while volumes fell by 2.2%. The impact of higher prices and lower promotional activity, coupled with the associated impact on volume and general consumer caution, are mirrored across Carbonates and Stills, both of which increased in value and experienced lower volume. Taking a longer term view, and comparing to the pre-pandemic soft drinks market in 2019, soft drinks volumes have grown by 1.5%, with carbonates the key contributor, growing by 5% over the same period despite the significant headwinds created by the pandemic in particular.

At a subcategory level we continue to see some of the effects of the pandemic unwinding across the soft drinks retail market. Lemonade, Mixers, Dilutes and Fruit Juice have declined in both value and volume, reflecting the normalisation of at home consumption and the steady recovery of the on-trade hospitality sector. By contrast, Flavoured Carbonates, Sports and Energy are increasing in volume, supported by the recovery of the "drink now" channel.

Against this backdrop Barr Soft Drinks has enjoyed particularly strong market share value gains in England and Wales balanced by a more subdued performance in Scotland which did not benefit from the better summer weather experienced in much of the rest of the UK.

The Boost business, which became part of the Group in December 2022, has performed exceptionally well within the total soft drinks market across the past 12 months, with a double digit increase in its value and volume share.

**STRATEGY IN ACTION**
can be found on **pages 18 to 29**

### Cocktail market

The hospitality sector continued its recovery across the year despite experiencing significant challenges. The cocktail category in particular has proven its strength and increasing popularity, with cocktails in the on-trade now worth £686m, an increase of more than 13% versus 2019 pre-pandemic levels. With 9.6 million UK consumers now drinking cocktails out of home, 1.6 million of whom joined the category since 2019, cocktails remain a significant growth opportunity for the hospitality sector.

The growth momentum of the ready to drink (RTD) category in the off-trade has continued, with consumers increasingly seeking to replicate the bar quality experience at home. The RTD market has grown to over £500m and continues to be driven by RTD cocktails which have grown by more than 20% in value terms over the past 12 months.

Within this market we are delighted to report that FUNKIN remains the UK's Number 1 RTD cocktail brand, the UK's fastest growing Top 10 RTD brand and is now a Top 5 RTD Grocery brand.

(Sources: CGA Mixed Drinks Report Q3 2022; Nielsen Pre-Mixed Alcoholic Drinks Total Coverage Data MAT 14/01/2023).

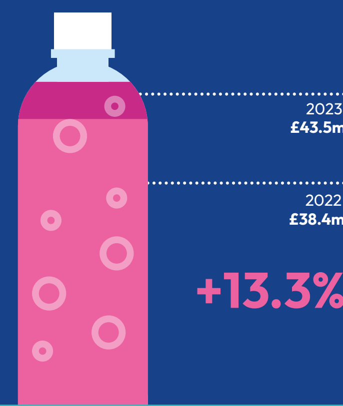
## Our financial performance

**Revenue**

The increase in value of revenue recorded relative to the prior year.


**Adjusted profit before tax**

Adjusted profit before tax is reported profit before tax after adjusting items.




Source: IRI Marketplace Total Soft Drinks Market 52 weeks to 28 January 2023)

# **Chief Executive's review** continued

### Plant-based milk market

The value of the total plant-based milk market fell by 1.4% in the year to September 2022, driven largely by a decline in soya, nut and coconut milks. In contrast, oat milk continues to grow, up 13.3% to £166m in the same period. One in five UK households now purchases oat milk, with 750,000 more households adding it to their shopping baskets in the last 12 months.

As a challenger oat milk brand, the MOMA business has had a particularly strong year, growing by 41% on a year on year basis, well ahead of the category, driven by increased sales of its ambient range and distribution gains for its new chilled range that launched in the Spring of 2022.

(Sources: Kantar UK Market 52 weeks ending 04/09/2022; Kantar UK Household Penetration 52 weeks ending 02/10/2022)


### Connecting with consumers

The connection we make with consumers is central to our strategy. Over the past 12 months we have continued to invest in a wide range of consumer marketing, promotion and communication programmes across our business units and brands.

With a growing consumer base, covering a broad demographic and geographic spread, we have evolved our engagement approach considerably over recent years. Social and digital media play an increasingly important role, as does our commitment to bringing a pipeline of great tasting, innovative new products to market, in new pack formats which unlock new drinker occasions. More traditional media channels of TV, print and outdoor remain an important part of our marketing mix.

The acceleration of the investment in our portfolio demonstrates the importance we place on supporting the long-term development of our core brands. In March 2022 we launched our new IRN-BRU "Taste Debate" campaign on TV, digital and social media to ensure our biggest brand remains fun, fresh and relevant. We also invested in FUNKIN, which launched its biggest ever brand investment with the highly successful "It's FUNKIN Time" campaign which ran throughout the key trading periods of summer and Christmas. The FUNKIN brand has significantly increased its brand awareness to 45% within the 18-34 year old cohort (Source: Kantar January 2023).

MOMA's award-winning oat milk has high growth potential and we have invested in its first ever above the line advertising campaign, which appeared on screens at the start of September across TV, outdoor and digital/social channels. The advert highlights how MOMA is perfectly crafted for both expert and home coffee creations, as "The Barista's Choice".

Sponsorship remains an effective and exciting engagement tool and is a key focus for our Rubicon RAW Energy brand, supporting its brand positioning as "A Force of Nature" in the great outdoors. Part of a multimillion pound marketing campaign, the brand sponsored the Boardmasters Festival in Cornwall in August 2022 and we are also pleased to have announced the brand's four year partnership as the official energy drink of GB Snowsport.

Our recent addition to the brand portfolio, Boost, has fostered a strong consumer connection through its sponsorship of Leeds United Football Club. We are excited to be a part of this successful partnership and look forward to building the brand's awareness in the year ahead.


> Over the past 12 months we have continued to invest in a wide range of consumer marketing, promotion and communication programmes across our business units and brands.

## Building brands

Our brand building strategy remains focused on growing awareness, trial and loyalty through consumer engagement activity, increasing our product distribution through effective sales execution and supporting brand development through innovation.

Barr Soft Drinks has delivered a strong revenue performance across its core brands.

IRN-BRU's total revenue grew by 6% while volumes, as anticipated, fell by 4%, reflecting the short-term impact of price changes across the market. The IRN-BRU growth strategy has delivered increases in low calorie (IRN-BRU XTRA up 9%), increased innovation (IRN-BRU 1901 up 5%), development in the Energy category (IRN-BRU Energy up 15%) and increased distribution within England and Wales.

The Rubicon masterbrand performed very strongly across all variants – Sparkling (up 18%), Still (up 14%), Spring (up 27%) and Rubicon RAW Energy (up 30%). It is particularly pleasing to see the acceleration in Rubicon Spring which has been in the market for over six years and is now the UK's number 1 sparkling flavoured water brand.

FUNKIN benefited from the recovery of the hospitality sector and the ongoing market growth of cocktail consumption, with on-trade revenue up by 23%. The momentum in the take home RTD cocktail category was sustained with FUNKIN's sales in this channel up 8%, consolidating its Number 1 position. FUNKIN continues to innovate across product, packaging and formats and in addition has progressed its international business development, on track to launch a state specific market trial within the US in 2023.

Our drive to build a multi-beverage portfolio has made positive progress across the last year. The successful acquisition of the Boost and MOMA businesses highlight our desire to participate in high growth categories where our brand building expertise and business model can add significant value.

# **Chief Executive's review** continued

## Driving efficiency

Our drive for continuous improvement across our assets, processes and technology remains a constant across the business. This is particularly the case in Barr Soft Drinks where we invest significantly in our asset base to drive efficiency and increase our manufacturing and logistics capacity and capability.

2022 saw us embark on the first phase of an extensive asset replacement programme at our Cumbernauld facility. Over the next 3-4 years this programme will deliver new high speed PET and can filling lines, advanced packaging and palletising capability, as well a number of associated energy and environmental sustainability benefits. Phase 1 of the programme is now well underway and we expect to have a new small format PET line and new downstream packaging machinery installed and commissioned in the next 12 months.

As a high growth and innovative business, FUNKIN has operated with an outsourced manufacturing business model that provides both agility and flexibility. Its recent move into RTD cocktails in cans presented an opportunity to leverage some of the benefit of being part of the wider A.G. Barr Group. Following an £8m investment at our Milton Keynes facility, we successfully installed and commissioned new slim 250ml can filling and cardboard multipack capabilities. This opens up new growth opportunities for Barr Soft Drinks, and allows us to produce FUNKIN's nitro-infused ready to drink cocktail cans in-house, bringing with it significant operational efficiency benefits.

**For more information on our Strategy in Action see pages 18 to 29 →**

## Building trust

Trust is earned. We continue to work hard to retain the trust of all our employees, our wide range of stakeholders and our communities, as we have done for over 145 years.

As the cost of living crisis continues to place pressure on households and businesses across the UK, we recognise the duty of care that we have for our people. Our employees have shown huge levels of commitment over recent years and in recognition of this, and the difficult economic landscape, we made two special cost of living payments in 2022 to those colleagues who we believed would benefit the most from additional financial support. We will continue to monitor the welfare and wellbeing of our people and have plans in 2023 to offer additional financial support services, as well as maintaining our longstanding commitment to mental health support within the workplace.

Our environmental sustainability programme **No Time To Waste** continued to deliver clear and tangible progress throughout the year, from our first plastic bottles made of 100% recycled content, launched in April 2022, to the formal approval of our science-based targets and net-zero commitments by the Science Based Targets Initiative. We have a stretching yet achievable net-zero roadmap, coupled with a genuine drive and ambition to push further and faster. This is particularly the case for our use of recycled material, notwithstanding current challenges associated with availability and quality. We are well advanced in our DRS preparations, due to go live in Scotland in August 2023, which has the potential to increase the availability and quality of recycled material, as well as supporting our long-term circular packaging goals.

For us, a successful business also means being a sustainable business and we will continue to demonstrate our values in this respect through honest and meaningful actions.

**DETAILS OF ALL OUR RESPONSIBILITY COMMITMENTS, GOALS AND ACTIVITIES**
can be found on pages 30 to 55

## Outlook

We anticipate a continuation of our strong brand momentum across the Group in 2023/24 as we continue to invest in the development of our business, brands and people. This is despite a backdrop of continued high inflation and the planned introduction of the Scottish DRS in August 2023, both of which have the potential to impact consumer purchasing behaviour.

We do however anticipate a short-term impact on operating margins, as a result of the combination of this investment, ongoing inflationary cost pressures, and the initial dilutive impact from the Boost acquisition.

It is our belief that our growing brand portfolio and our ongoing actions to mitigate cost inflation will support the delivery of our growth ambitions and at this early stage we remain confident of delivering further revenue and profit growth in the year ahead in line with management expectations.

Looking to the long term, it is our strategy to build and develop a multi-beverage portfolio capable of significant growth. We are now in an investment phase, designed to capitalise on the strategic growth opportunities ahead. This growth and investment phase will support the rebuilding of our operating margin over the medium term and the creation of a stronger and more sustainable business.

**Roger White**
Chief Executive
28 March 2023

> **"We continue to work hard to retain the trust of all our employees, our wide range of stakeholders and our communities, as we have done for over 145 years."**

* Items marked with an asterisk are non-GAAP measures. Definitions and relevant reconciliations are provided in the Glossary on pages 199 to 204.

# Our strategy in action

## Rubicon RAW Energy, a force of nature

Rubicon RAW Energy, launched in 2021, is enjoying its first big sponsorship campaigns, supporting its brand positioning as 'A Force of Nature' in the great outdoors.

Part of a multimillion pound marketing campaign the brand sponsored the Boardmasters Festival in August. The event was a huge success with 100,000 people attending the five day surfing extravaganza. Thousands of samples of Rubicon RAW Energy were handed out – and sold at every bar – coupled with impactful branding across both festival sites, making a memorable impact with consumers and driving awareness and trial.

The event was supported by several weeks of brand activity running across all Rubicon RAW Energy social channels.

The brand also teamed up with two surfing champions and media influencers – Ellie Turner and Ben Skinner – to create a digital content series that shows people what it really takes to keep your cool to compete professionally.

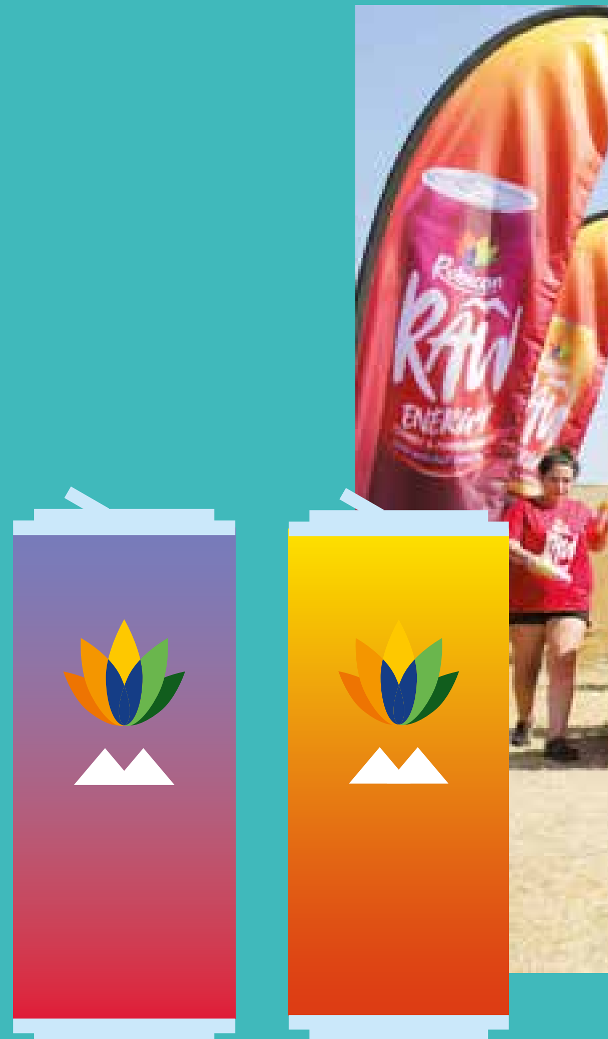
Rubicon RAW Energy also announced a four year deal that saw the brand become the official energy drink of GB Snowsport.

The partnership kicked off in November and will see athletes across different disciplines including skiers, snowboarders and elite para snowsport athletes display Rubicon RAW Energy logos on race suits and competition equipment.

The wide-ranging partnership will also see GB Snowsport and Rubicon RAW Energy collaborate on different opportunities to bring British world-class skiers and snowboarders closer to fans across the country.

**Building brands**

**Connecting with consumers**




Strategy in acti



# A new look for Barr Flavours

Our Barr Flavours range got a bolder and brighter new look late in 2022 creating stronger shelf standout and appealing to shoppers looking for a fun, young and energetic brand of great tasting and great value flavours.

Barr has a longstanding, loyal customer base in Scotland and increasingly across the rest of the UK, and continues to be a firm favourite for shoppers.

The new packaging began rolling out to stores in December across its full product range with marketing support in place for retailers and wholesalers to bring the brand to life for shoppers.

on

**Building brands**

**Connecting with consumers**

## **Our strategy in action** continued

# Welcoming **Boost** and **MOMA**


## Building brands

Aligned to our longstanding growth ambitions, we were delighted to complete two acquisitions in December 2022 – Boost Drinks and MOMA Foods – accelerating the development of the A.G. Barr Group and further building our portfolio of differentiated brands.

The Boost brand, founded in 2001, operates in the high growth functional beverage category spanning energy, sport and iced coffee, with a strong market position in the UK independent retail channel. We are excited about the significant potential for further growth, development and operational synergies for Boost working in partnership with the wider A.G. Barr Group.

Following our initial majority equity stake investment in MOMA Foods Limited in December 2021 we are delighted to have now taken full ownership of the MOMA business. With its strong position in the high growth oat milk category we can now fully support the MOMA business and brand to leverage its growth potential even sooner than originally planned.

# **Our strategy in action** continued

## **Digital** screens

We welcomed the arrival of new digital screen technology to our Cumbernauld and Milton Keynes sites in 2022. Part of a phased roll-out plan, the screens allow us to cascade information directly to our sites using the AppSpace content management system.

Thanks to the new screens, we can present engaging and important content across the business centrally at a corporate level, as well as working with site-based editors to share local news.

The content can be updated in an instant and offers real opportunity for efficient employee communication in the year ahead.

**Driving Efficiency**

## Slim can production begins at **Milton Keynes**

Following an £8m investment at our Milton Keynes site we successfully installed and commissioned a new 250ml slim can line.

This important investment increases the manufacturing capability of our Barr Soft Drinks business unit, opening up new growth opportunities. It has also allowed us to produce FUNKIN's nitro-infused ready to drink cocktail cans in-house and includes the capability to produce cardboard multipacks.

**Driving Efficiency**

# 100% recycled IRN-BRU and Rubicon 500ml bottles

April saw the first production run on our 500ml IRN-BRU and Rubicon plastic bottles – all now made with 100% recycled material (rPET).

With a lower carbon footprint, the new pack is still 100% recyclable, and our new 100% rPET bottles are a fantastic example of the progress we're making in reducing our impact on the environment through our **No Time To Waste** environmental sustainability programme.

**500ml IRN-BRU and Rubicon plastic bottles made with 100% recycled material (rPET)**

**100%**

**Building Trust**

# **Our strategy in action** continued

# New **MOMA** TV advert

## Connecting with consumers

As part of its continued growth strategy MOMA launched a major advertising campaign for its award-winning oat milk.

The ads appeared on screens at the start of September across TV, outdoor and digital/social channels, with the campaign highlighting how MOMA is perfectly crafted for both expert and home coffee brews, as "The Barista's Choice".

The campaign also signified the launch of MOMA's new brand positioning as "The Craft Oat Co." cementing the company's challenger heritage, expertise and passion for oats as the driving force behind all things delicious and healthy.

This was MOMA's first TV campaign.

# **Our strategy in action** continued


## Rubicon Spring in sleek cans

Building brands

Innovation remains critical to brand development and was a key driver for our launch of Rubicon Spring Black Cherry Raspberry and Orange Mango variants in a sleek 330ml can format.

With just nine calories in a premium sleek can, the new format provides consumers with an exciting low-calorie refreshing drink to be enjoyed at any time.

While taste remains the number one reason for shoppers to choose a soft drink, drinking occasions are changing, with more healthy lunches now enjoyed at home. Consumers are increasingly looking for new and exciting flavours and formats to try and the new sleek can offers just that.

The new format launch was supported by a trade marketing campaign with the tagline `It's spring water fabulously fortified'.

## £1 in every £5 spent on ready to drink cocktails is now spent on FUNKIN.*

**Building brands**

**Connecting with consumers**

# FUNKIN's biggest ever advertising campaign

FUNKIN invested in its biggest ever advertising campaign in 2022, spending over £4m across TV, outdoor, social and digital channels.

Launched in the summer the successful "Whenever you're feeling fine... it's FUNKIN time" campaign was followed by national Christmas outdoor and TV activity.

FUNKIN created a fun and vibrant campaign for the UK's Number 1 cocktail brand, featuring a miniature drag queen – the FUNKIN Queen played by award-winning drag queen, Divina De Campo.


* Nielsen PRE MIXED ALCOHOLIC DRINKS Total Coverage Data MAT 12.03.2022.

**Our strategy in action** continued

# Two new IRN-BRU adverts


**Building brands**

**Connecting with consumers**

In March, IRN-BRU revealed two new ads to the world – created in the brand's signature maverick style. In "Prom", a tuxedoed ginger teen shows up to pick up his date – but is appalled to hear she thinks IRN-BRU tastes like "cream soda".

In "Mob" we pay homage to the gangster movie genre – with a dark fate awaiting a mobster who claims IRN-BRU "definitely tastes like tutti frutti".

The campaign comically reflects on the ambiguity of IRN-BRU's taste, which in itself contributes to its fame as a brand – no one can agree upon the exact flavour, however everyone can definitely agree that it tastes phenomenal.

The new adverts build on last year's Western-themed short, where the great taste debate triggered an all-out saloon brawl.

The new creative features across TV, social channels and online – with the multi-channel approach reaching the numerous media touchpoints that IRN-BRU's target audience engage with during their day.

# Responsibility report

Behaving responsibly for over 145 years. We are proud of our brands and business. We are also proud of the positive contribution we believe we make to society. It is our belief that how we act reflects who and what we are.

For over 145 years we've been brand owners and builders, offering a diverse and differentiated portfolio of brands that people love and our business has grown as a result. The continued financial strength of our business is important not only to our employees and our shareholders, but also on a broader basis, where our performance positively impacts a wide range of stakeholders and the UK economy.

Our overarching business purpose is to **create value, with values** – for our shareholders, consumers, customers and for society as a whole. Our values include a commitment to behave responsibly. Our responsibility agenda has always been woven into the fabric of our business and, in today's world, as we grow and develop, it's more important than ever that we play our part in addressing the key issues facing society, such as the need to tackle the impact of climate change.

We are also mindful that our actions can contribute towards global improvements. The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries – developed and developing – in a global partnership. They recognise that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.

**While there will be actions we take that contribute both directly and indirectly to many of the SDGs, we have focused our SDG connections where we believe we can most directly play our part. These are:**

**Good health and wellbeing**
Ensure healthy lives and promote wellbeing for all at all ages

**Gender equality**
Achieve gender equality and empower all women and girls

**Decent work and economic growth**
Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all

**Responsible consumption and production**
Ensure sustainable consumption and production patterns

**Climate action**
Take urgent action to combat climate change and its impacts

We have high expectations of our suppliers, our partners and ourselves. Across more than 145 years of operation, we have developed robust and responsible policies that guide what we do and how we work with others. The key policies, statements and guidelines we rely upon and that support our responsibility commitments are now available on our Group website at **www.agbarr.co.uk.**

# Our key responsibility commitments

We focus our specific responsibility goals and commitments on those areas where we believe we can make the greatest positive economic, environmental and social impact, supporting our contribution to a sustainable future for all. We also engage with a wide range of stakeholders, as set out on pages 74 to 80, to ensure that our priorities are aligned. As such, behaving responsibly at A.G. Barr is underpinned by four key commitments which we believe to be material matters to both our business and our key stakeholders:

## We act with integrity

### Key focus areas

- Safety and wellbeing
- Employee engagement
- Responsible policies and practices

### Long-term goals

**Accident incident rate**
- Zero work-related accidents

**Employee engagement***
- 2025 Goal: 80%

**Women in Leadership***
- 2025 Goal: 45%

## We respect the environment

### Key focus areas

- Carbon reduction
- Packaging
- Water and waste
- Sustainable sourcing

### Long-term goals

**Never again send non-hazardous waste to landfill**

**Carbon emission reduction across our own operations (Scope 1 & 2 emissions market-based approach)****
- 2030 Goal: 60% reduction from a 2020 base year
- 2035 Goal: 90% reduction from a 2020 base year

**Carbon emission reduction across our wider supply chain (Scope 3 emissions) ****
- 2030 Goal: 25% reduction from a 2020 base year
- 2050 Goal: 90% reduction*** from a 2020 base year

**Improvement in water usage efficiency**
- 2025 Goal: 10% improvement from a 2020 base year

**Recycled PET content**
- 2025 Goal: Full portfolio 100% rPET

## We support healthy living

### Key focus areas

- Calorie reduction
- Responsible advertising and marketing
- Labelling

### Long-term goals

**To continue to advertise responsibly, offer a wide range of pack sizes to assist with portion control and, by providing clear nutritional information, enabling our consumers to make informed choices.**

## We give back

### Key focus areas

- Community engagement
- Charity partnership
- Employee volunteering

### Long-term goals

**To support our corporate charity partnership by donating £150,000 over three years and raising awareness across our own teams.**

* Further information on employee engagement and women in leadership is provided on page 32 within the non-financial KPI section.
** Science-based target as approved by Science Based Target Initiative (SBTi).
*** Net-zero achievement in accordance with SBTi requirements. Reductions are targeted across Scope 3 emissions associated with purchased goods and services and upstream and downstream transport and distribution. See page 39 for more information.

Note: Goals above stated in calendar years

**Responsibility report** continued

# Non-financial key performance indicators

In support of our responsibility commitments we measure a range of non-financial KPIs as set out below:

### Accident incident rate

**4.0**

| | |
|---|---|
| 2023 | 4.0 |
| 2022 | 8.6 |
| 2021 | 9.0 |
| 2020 | 7.1 |

Number of accidents (RIDDOR) per 1,000 people – relative to both our employees and agency workers. 2023 includes Boost and MOMA data from the dates of acquisition. Further information is provided in our Safety and wellbeing culture section on page 34.

### Employee engagement

**75%**

| | |
|---|---|
| 2023 | 75% |
| 2022 | 75% |
| 2021 | NA |
| 2020 | 77% |

As measured by our annual "Your Voice Matters" employee survey. Due to the impact of the pandemic, no survey was conducted in 2020/21. 2023 excludes Boost and MOMA which were not part of the A.G. Barr Group at the time the survey was conducted.

### Women in leadership

**38%**

| | |
|---|---|
| 2023 | 38% |
| 2022 | 41% |
| 2021 | 39% |
| 2020 | 39% |

Number of females defined as leaders/senior managers at the close of the financial year. 2023 includes Boost and MOMA employees – not included in prior years. See page 37 for further information.

### Carbon emission reduction across our own operations

**38%**

| | |
|---|---|
| 2023 | 38% |
| 2022 | 33% |
| 2021 | Baseline Year |

Previous long-term goal achieved and replaced with new science-based target as detailed above. Percentage reduction in total Scope 1 and Scope 2 greenhouse gas emissions using a market-based approach.

### Improvement in water usage efficiency

**7.1%**

| | |
|---|---|
| 2023 | 7.1% |
| 2022 | 5.1% |
| 2021 | Baseline Year |

KPI reset in 2021 following detailed analysis of our water footprint, our refreshed water strategy and action plan. Ratio of total water used relative to total litres of product produced. Further information is provided in our Waste and water section on page 43.

### Non-hazardous waste diverted from landfill

**100%**

| | |
|---|---|
| 2023 | 100% |
| 2022 | 100% |
| 2021 | 100% |
| 2020 | 97.2% |

Quantity of waste from Company-owned sites diverted from landfill relative to total waste.

## Non-financial information statement

The information presented here and throughout the report, as cross-referenced to the right, complies with the requirement under sections 414CA and 414CB of the Companies Act 2006 to provide information on certain non-financial matters. Our Responsibility Report provides the required information in relation to content on environmental matters, our employees, community issues and social matters, as well as setting out our non-financial metrics. Our business risks are included within our Risk Management section. The Responsibility Report also complies with the Streamlined Energy and Carbon Reporting (SECR) requirements as required by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. We have complied with the requirements of Listing Rule 9.8.6R by including climate-related financial disclosures consistent with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and recommended disclosures.

It is the Group's policy to conduct all of its business in an honest and ethical manner. It is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever it operates. The Group is a UK Living Wage accredited employer.

The Group publishes its Modern Slavery Act Transparency Statement annually. This explains the steps that we take to seek to ensure that there are no incidents of modern slavery within the business and our supply chain, in accordance with the UK Modern Slavery Act 2015. The Board reviews the Group's operational, legal and compliance framework to prevent modern slavery in its supply chain, which includes employee training, contractual terms and conditions, and due diligence processes.

The Group's Anti-bribery and Corruption Policy (ABC Policy), available on the Group website, emphasises the Group's zero tolerance approach to bribery and corruption. It sets out the Group's responsibilities, and of those working for it and parties acting on its behalf, in observing and upholding its position on bribery and corruption in compliance with applicable laws, and provides information and guidance to those working for the Group and parties acting on its behalf on how to recognise and deal with bribery and corruption issues. The ABC Policy is clearly communicated to all employees and ABC training is provided to all employees on induction and on a regular basis thereafter. The Group maintains an anti-bribery and corruption register, which records details of corporate hospitality, and gifts given and received by employees over a specified value. The Group's international department undertakes appropriate due diligence on all third-parties acting on its behalf and maintains a third party anti-bribery and corruption register. The Audit and Risk Committee reviews the effectiveness of the Group's anti-bribery systems and controls, reviews and approves the Group's ABC Policy on an annual basis. No bribery and corruption issues arose during the year.

There is currently no specific human rights policy in place however our Supplier Code of Conduct, available on the Group website, sets out the minimum standards we require our suppliers to meet, including human rights, and forms part of their contractual commitment to us. As a UK business, we comply with the full spectrum of employee protection legislation. We believe our existing policies ensure the rights of our own employees are respected fully and our robust supplier controls provide assurance when considering human rights impacts beyond our direct control.

| Theme | Cross reference (within Annual Report & Accounts unless otherwise stated) | Page reference |
|---|---|---|
| **Environmental matters** | • Responsibility Report – We respect the environment | Pages 39 to 53 |
| **Employees** | • Business model<br>• Responsibility Report – We act with integrity | Pages 8 to 9<br>Pages 34 to 38 |
| **Social matters** | • Business model<br>• Responsibility Report – We support health living<br>• Responsibility Report – We give back | Pages 8 to 9<br>Page 54<br>Page 55 |
| **Non-financial metrics** | • Responsibility Report – Non-financial KPIs | Page 32 |
| **Business risks** | • Risk Management | Pages 62 to 69 |
| **Business model** | • Business model | Pages 8 to 9 |
| **SECR** | • Responsibility Report – SECR reporting | Pages 52 to 53 |
| **TCFD** | • Responsibility Report – TCFD disclosure | Pages 44 to 53 |
| **ABC Governance** | • Audit & Risk Committee Report | Pages 85 to 88 |
| **Supplier controls** | • Responsibility Report – Sustainable sourcing | Pages 43 to 44 |
| **Policies & Procedure** | • Including Supplier Code of Conduct (Human Rights), Modern Slavery Statement, ABC and Employment Protection Policies | www.agbarr.co.uk/responsibility/policies-terms-of-business-and-brand-rules |

**Responsibility report** continued

# We act with integrity

## Safety and wellbeing culture

We work hard to create a culture in which health, safety and wellbeing are our top priorities. Our ultimate goals in this area are zero work-related accidents and the provision of safe and healthy working environments for all. We continuously improve our management systems to underpin our objectives and to ensure compliance with all health and safety related legislation as a minimum. Our thorough and varied health and safety management activity programme is designed to keep safety at the top of everyone's agenda, with actions ranging from safety awareness initiatives and safety training, to site audits and reporting.

Over the past 12 months we have continued to review our workplace activities and focus on reducing risk through the implementation of suitable control measures. Our health, safety and wellbeing related activity has included:

- Ongoing review and roll-out of updated risk assessments and safe systems of work
- Internal training, including dynamic risk assessment, contractor control and accident investigation
- Provision of IOSH Working and Managing Safely courses across our supply chain teams
- All people managers have either completed IOSH Managing Safely or a one day Safety for Managers course
- Provision of Mentally Healthy Workplace Training for Managers
- Two-way communication via health and safety committees and representatives across all business areas
- Continued partnership with the Keil Centre, supporting our drive to increase our safety cultural maturity
- Health, Safety, Environment and Wellbeing Days – a series of face to face events were carried out across all of our sites to help drive improved behaviours, awareness and decision making
- Health and Safety Awards – recognising those employees who have gone above and beyond to improve the safety of themselves and others
- Health and Safety pulse surveys gauging the views and priorities of employees

**In focus**

### Forfar sets the safety standard

Our Forfar site achieved a very significant milestone – four years with zero lost time accidents.

This is an impressive result for a manufacturing facility and testimony to the hard work and strong safety culture across the Forfar site.

**In focus**

### Health, Safety, Environment and Wellbeing Days

With short and engaging sessions, our Health, Safety, Environment and Wellbeing Week involved impact speakers, workshops and video content, specifically tailored to meet the needs of production, logistics and office colleagues. From mental wellbeing and improving workstation ergonomics to recycling tips and manual handling equipment awareness, the sessions gave employees at our Barr Soft Drinks sites the opportunity to raise their awareness across a variety of important topics.

We are pleased to report that our accident incident rate reduced from 8.6 to 4.0 during the past 12 months. This, along with our ISO 45001 certification, are clear validations of the hard work that is ongoing to improve our safety standards and culture.

Our accident incident rate KPI, as detailed in our non-financial KPIs on page 32, includes those accidents involving our own and agency employees, however as part of our regular accident monitoring and reporting processes, any accidents that occur on our premises by contractors or other third parties are recorded, fully investigated and the learnings taken into account.

We will continue to work hard towards delivering an improved safety performance in the year ahead.

From a wellbeing perspective we support our employees across a wide range of areas. For a number of years we have placed an increasing focus on raising mental health awareness within the workplace, creating a culture where mental health conversations are encouraged and our people are properly supported. We now have over 70 Mental Health First Aiders across the business, specially trained to be there for those who need them, complemented by Mentally Healthy Workplace employee training.

Over the past 12 months we have listened to our employees and understand the important role flexible working can play in their wellbeing. As such we have now implemented formal hybrid working arrangement for those employees who are able to work from home. This approach seeks to strike a balance between the benefits of working from home with the cultural benefits of collaborating and engaging with colleagues in person within the workplace. This approach is supported with our partnership with Posturite, a market-leading workplace health, wellbeing and ergonomics company, who help ensure all display screen equipment users are trained with a suitable set up at home and at work.

### Employee Engagement

For over 145 years we have developed a positive, results-driven and supportive culture. As we grow our business organically and through acquisition, it is important that we retain the entrepreneurial spirit of the new and exciting additions to our Group, while also ensuring that we continue to value and nurture the unique essence of what makes A.G. Barr a great business to be part of.

Underpinning everything that we do is our belief in performance through people – positive and engaged teams are central to our success.

Communication is key to this engagement and we use a wide range of channels and tools to suit the different needs and preferences of our people. From monthly Town Halls and regular team events to some of our more recent communication improvements, such as digital screens and podcasts, we keep our communications positive and engaging, striving to maintain a sense of fun and involvement.

**In focus**

## Our improving safety culture

The Keil Centre, with whom we have partnered since 2018, are chartered psychologists and ergonomists with significant safety-related experience. Specialising in identifying where an organisation sits from a safety culture point of view, they have developed a five level maturity model.

We were delighted, following re-assessment workshops with our Barr Soft Drinks Supply Chain colleagues, to have improved our maturity from level two to level three. Our goal was to reach a more consistent level of maturity across all elements, which we are pleased to have achieved, with significant improvements made in “Safety Communication” and becoming a “Learning Organisation”.

# **Responsibility report** continued
## **We act with integrity** continued

### Employee values

Underpinning our corporate values, our four business units have their own employee values. These behavioural frameworks are central to who they are and how they operate, playing an important role in building teams and strengthening performance.

At Barr Soft Drinks, which comprises our largest group of colleagues, employee values are embodied by the Barr Behaviours. Created by our own people they represent what is important to a business that has been successful for over a century – Being Brilliant, Always Learning, Results Driven and Relationships Matter.

For the more recent additions to the A.G. Barr Group – FUNKIN, MOMA and Boost – their employee values are more reflective of the entrepreneurial and agile nature of their businesses, which we believe are important characteristics to retain and nurture.

From recruiting new employees to developing existing teams, these employee values support how our teams work together to enhance performance and are fundamental to our success.

For more information on our employee values visit our website at **agbarr.co.uk**

### Learning and development

Learning and development in our business is about creating a Company-wide culture in which everyone is supported and challenged to take ownership of their performance, the impact they have on others and their careers. Our teams are encouraged to take the lead in their own personal development, drawing from a wide range of learning opportunities. Our award-winning iLearn platform is our online hub for development activity, with hundreds of hours of learning immediately accessible to all. We also recognise that people learn in many different ways – from classroom training and job shadowing to our successful mentoring programme and externally provided training courses, we try to ensure there's something to suit every individual in every area of the business.

In addition to our regular technical and compliance based training, over the past 12 months we have continued to offer as many learning opportunities as possible to our people including our popular Manager Essentials programme, Mentally Healthy Workplace training, Project Management development, psychometric team-building workshops and a new environmental sustainability learning portal.

**In focus**

### No Time To Waste learning portal

This year we created a **No Time To Waste** learning portal to help our employees develop their environmental sustainability knowledge and their understanding of our own strategy.

Using simple videos and quick guides, the portal provides learning and support across our five **No Time To Waste** focus areas

- Net-Zero
- Plastic and Packaging
- Sustainable Sourcing
- Waste
- Water

The portal launched during Recycling Week in September, with high levels of engagement, and now forms part of our employee induction programme, so people new to the business understand the importance of our environmental sustainability strategy.


**In focus**

### Your voice matters

Our 2022 "Your Voice Matters" employee engagement survey, which sought the views of our Barr Soft Drinks and FUNKIN teams, achieved a high overall engagement index of 75%. Most improved areas included Diversity and Inclusion, Communication and Change as well as Working Together, however we did not achieve our previously set 80% target which was set before the pandemic. We remain committed to increasing our employee engagement levels and have reset our target with a new date of 2025.

## Diversity and inclusion

We believe that diverse and inclusive organisations that respect and value difference allow people to perform at their best. That's why we're taking steps to create an inclusive, respectful and supportive working environment that encourages people with different backgrounds, experiences and perspectives to come together to work more effectively and creatively, with gender equality a specific and current area of focus.

The gender balance across the organisation now sits at 69% men and 31% women, broadly indicative of our industry. On our journey towards greater gender equality we set a new KPI in 2020 related to women in leadership, targeting 45% women across the leadership population by 2025. Having made progress in recent years, increasing from 29% in April 2017 to 41% in 2021/22, senior female representation across the Group currently sits at 38%. This year end data reflects the addition of the women in leadership at both MOMA (50%) and Boost (23%).

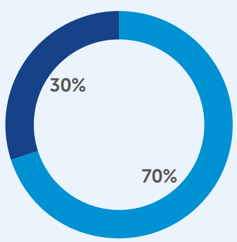
The key metrics from our latest Barr Soft Drinks Gender Pay Report are detailed below:

The mean gender pay gap is the difference in the average hourly pay for women compared with men within a company. We have narrowed our gap from 4.9% in 2018 however we do see slight percentage movements due to year on year payroll differences – some years favourable to men and some years favourable to women.

In common with many businesses, our bonus scheme payment thresholds are linked to business performance and generally increase with seniority.

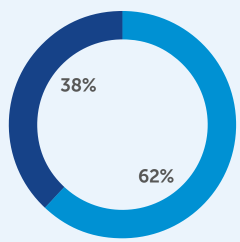
### Gender Diversity 2022

**Board & Company Secretary**



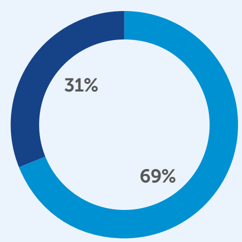

| | 2022 | 2023 |
|---|---|---|
| Male | 8 | **7** |
| Female | 3 | **3** |

**Leadership Team**




| | 2022 | 2023 |
|---|---|---|
| Male | 54 | **63** |
| Female | 38 | **39** |

**All employees**




| | 2022 | 2023 |
|---|---|---|
| Male | 625 | **701** |
| Female | 270 | **313** |

The key metrics from our latest Barr Soft Drinks Gender Pay Report are detailed below:

**Mean Gender Pay Gap**

**-5.1%**

2021: 3.0%

**Median Gender Pay Gap**

**-6.0%**

2021: 2.7%

**Mean Bonus Pay Gap**

**-1.1%**

2021: 42.2%

**Median Bonus Pay Gap**

**-17.6%**

2021: 0%

Positive numbers are favourable to men, and negative numbers are favourable to women.

**% employees receiving a bonus payment**

**Male**

**89%**

2021: 84%

**Female**

**93%**

2021: 82%

Over 80% of employees received bonus payments in this reporting period reflecting our positive financial performance.

We will continue to work towards creating an environment that is inclusive, where people feel they can be themselves at work and where their opinions count.

The full Barr Soft Drinks Gender Pay Report is available on our website at **www.agbarr.co.uk**

# **Responsibility report** continued
## **We act with integrity** continued

### Reward

Our approach to reward aims to link remuneration with the delivery of our key strategic priorities and our overarching purpose, to create value, with values – for our shareholders, consumers, customers and for society as a whole.

We strive to offer a fair and transparent total reward package that drives a performance-led culture and is linked to both the long-term sustainable success of the business and our values.

We target our pay at the market median or above, ensuring we can attract and retain high-calibre employees. We operate a number of incentive and bonus schemes, as well as performance related pay arrangements, designed to reward and motivate strong individual and collective performance.

We offer employees a modern and flexible range of benefits, offering choice to our increasingly diverse workforce. Employees receive a flexible benefit allowance with which they can select the benefits most suitable to them personally. Healthcare features prominently, with a selection of health-related benefits made available either on a core benefit basis or within the suite of flexible benefits made available to employees.

We comply fully with all the regulations associated with rewarding our employees fairly and are a UK Living Wage accredited employer.

More information on how we ensure that our approach to remuneration supports our strategy is available in the Directors' Remuneration Report on pages 89 to 121.

### Risk and regulation awareness

We have a robust risk management framework in place that is embedded across the business. In addition to the corporate risk register, governed by the Board, business unit and functional risk registers have been developed across our teams, allowing a wide range of employees at different levels to contribute to our risk assessment and assurance processes.

Our reputation is extremely important to us and it is the responsibility of every employee to act professionally, fairly and with integrity. This requires an understanding of the regulatory risks we face and how we can all play a part in mitigating these risks.

In support of this, we require employees to complete the following five mandatory training modules:
- Introduction to Risk
- Data Protection
- Competition, Pricing and Confidentiality
- Bribery and Corruption
- Anti-facilitation of tax evasion

**For more information on our Risk Management approach see pages 62 to 69 →**

**In focus**
### Increasing menopause awareness and support

In support of our commitment to create an open and supportive culture, 2022 saw us introduce a new Menopause Policy. The policy aims to foster an inclusive and respectful working environment within which our colleagues can openly and comfortably initiate conversations or engage in discussions about the menopause. The Policy also aims to raise wider awareness and understanding among all employees and managers while also outlining the support and reasonable adjustments available.

The Policy is supported across a number of areas:
- The Menopause Café – a safe space created by our own employees with an open invitation for both women and men
- Menopause Lunch & Learn sessions
- Conversation guidelines for employees and managers
- Menopause training
- A menopause section on our Health & Wellbeing intranet hub

# We respect the environment

We take our environmental responsibilities very seriously, constantly seeking to minimise our impact on the world we operate in, whether through carbon and energy reduction, our water and waste control actions or the reduction of our environmental impact through areas such as packaging.

We have been accredited to the Environmental Standard ISO 14001 since 2003. This certification provides a framework against which we have developed comprehensive environmental procedures and monitoring systems. These processes have allowed us to measure our environmental performance and focus our activities on delivering long-term improvements.

### Carbon reduction

We have an important role to play in the transition to a low carbon and climate-resilient economy.

In 2021, working with independent sustainability experts the Carbon Trust, we undertook a thorough assessment of our 2020/21 Scope 1, 2 and 3 greenhouse gas (GHG) emissions to establish our carbon footprint across our full product life cycle and value chain. This covered the goods we purchase and the resources, fuel and energy we use in our day to day activities, right through to distribution to customers and the management of consumer waste. This important work provided us with an accurate measurement and verification of our full carbon footprint for the first time.

We are pleased to report that following this full carbon footprint assessment, and aligned to the Science Based Target Initiative's (SBTi) updated Net-Zero Standard, published in November 2021, we now have SBTi approved near and long-term science-based emission reduction targets and an SBTi verified science-based net-zero target of 2050. Further information is available on page 50.

## OUR 2021/22 GREENHOUSE GAS EMISSIONS

**SCOPE 1**
Direct emissions from activities we control
**2%**
3,848 tonnes $CO_2e$

**SCOPE 2**
Market-based. Indirect emissions from purchased energy
**1%**
1,036 tonnes $CO_2e$

**SCOPE 3**
All other emissions that occur in the value chain
**97%**
160,107 tonnes $CO_2e$

### Where our emissions come from

**12.3%** Ingredients

**40.3%** Packaging

**9.3%** Equipment & Services

**2.5%** Manufacturing

**31.6%** Transport & distribution

**1.2%** At home refrigeration

**2.6%** Waste Management

**0.2%** Staff Commuting & Travel

**Total Emissions: 164,991 tonnes $CO_2e$**

# **Responsibility report** continued
## **We respect the environment** continued

With continued support from the Carbon Trust we have now completed a second full carbon footprint assessment for our 2021/22 financial year covering our Scope 1, 2 and 3 greenhouse gas emissions.

A detailed breakdown of our 2021/22 greenhouse gas emissions is contained within the Metrics and Targets section of our TCFD disclosure on page 50. This also contains our Streamlined Energy Carbon Reporting (SECR) disclosure which sets out our Scope 1 and 2 data for the 2022/23 financial year.

We are fully committed to achieving our science-based targets. For our Scope 1 and 2 emissions we have a deliverable and realistic decarbonisation roadmap which builds on the progress we have made and pushes further, from electric vehicles and solar panels to air source heat pumps and degasification projects. For our Scope 3 targets, including purchased goods and services as well as upstream and downstream transport and distribution, we are working closely with our suppliers and partners. Our roadmap to net-zero is set out on the right.


## THE ROAD TO NET-ZERO

Our progress

### 2020

- ESG Board Committee established
- Launch of **No Time To Waste** environmental sustainability programme
- Switch to 100% renewable electricity
- CDP score improves to B classification
- Introduction of 100% recycled packaging film on Barr Soft Drinks consumer multipacks

### 2030

- **Reduce Scope 1 and 2 GHG emissions by 60%**
- **Reduce Scope 3 GHG emissions from purchased goods and services and upstream and downstream transport and distribution by 25%**

Our plans

### 2030-35

- Degasification at our main manufacturing sites through solar, heat pumps and biogas

### 2035

- **Become net-zero across our own operations**

# Road to net-zero

## 2021

- Completion of first full carbon footprint assessment
- 45% reduction in greenhouse gases since 2015
- CDP score improves to A- classification
- Electric vehicle charging points installed at all main company-owned sites
- Fully electric fork lift truck fleet

## 2022

- SBTi approved science-based targets and net-zero commitment
- Full compliance with TCFD
- First bottles in 100% recycled plastic (rPET)
- New signatory of UK Plastics Pact
- FUNKIN glass bottle recycled content increased from 14.6% to 42.5%
- Successful trial of Hydrotreated Vegetable Oil (HVO) as fuel alternative to diesel

## 2023-2030

- 100% rPET across full Barr Soft Drinks portfolio
- Plastic lightweighting
- Supplier engagement and collaboration programme
- Commencing transition away from fossil fuels using compressed natural gas and HVO for our heavy goods vehicles
- Reduce Company car fleet and move to electric vehicles

## 2035-50

- Recipe reformulations
- Increased use of recycled content
- Supplier transition to green electricity
- Logistics partners move away from diesel

## 2050

**Become net-zero across our full value chain**

# **Responsibility report** continued
## **We respect the environment** continued

Our ambitious commitments are being delivered through our **No Time To Waste** environmental sustainability programme, which brings together net-zero, plastic and packaging, waste, water and sustainable sourcing workstreams. **No Time To Waste** is a hugely important programme for the Group and to date our Barr Soft Drinks and FUNKIN business units have worked closely and collaboratively. The intention is to bring both Boost and MOMA into the fold in the coming 12 months to ensure that we work together to increase our overall sustainability and reduce our environmental impact. Further information is available on pages 44 to 53 within our TCFD disclosures.

### Packaging

We believe that packaging should be treated by all as a valuable resource and recycled, not discarded as litter.100% of our Barr Soft Drinks packaging is already recyclable, with clear on-pack recycling messages, and we continually seek to reduce the amount of packaging we use.

As part of our **No Time To Waste** environmental sustainability programme, our plastic and packaging workstream has established a clear strategy with a long-term goal of 100% circular packaging. This means a future where packaging is reduced, recycled and reused.

Reducing the footprint of our packaging will be a critical part of our journey to reach net-zero. We are proud to have made a significant step forward in this regard with the introduction of our first 100% recycled plastic bottles. All our IRN-BRU and Rubicon 500ml plastic bottles moved to 100% rPET in April 2022, supported by a high profile advertising campaign to raise consumer awareness and understanding.

Our longer term goal of having our full portfolio in 100% rPET by 2023 has been impacted by the current lack of availability of appropriate quality food grade recycled plastic. Demand is exceeding supply across the food and drink industry, in the UK and beyond. We remain committed to our goal, however realistically the date by which this can be achieved is now expected to be the calendar year 2025 and we have adjusted our long-term target accordingly.

We remain committed to creating a truly circular system for drinks containers with the expectation that Scotland's deposit return scheme (DRS), due to be implemented in August 2023, will play an important role in improving the availability and quality of high grade recyclates. As a large producer member of the DRS scheme administrator, Circularity Scotland Limited (CSL), we will benefit from first right of refusal for our proportionate share of the scheme's collected material. The recycled material available from a DRS system is expected to be of a much higher quality than that produced by current household recycling. As such we anticipate that this will significantly improve our rPET supply in particular and allow us to resume our path to our 100% rPET goal.

> **"We are fully committed to achieving our science-based targets."**

**In focus**

### Science-based targets explained

In 2015, 196 governments signed the Paris Agreement, which aims to keep average temperature increase to well below 2°C above pre-industrial levels. More explicitly, the agreement sets out to limit the temperature increase even further to 1.5°C.

The Science Based Target Initiative (SBTi) enables companies to demonstrate their leadership on climate action by publicly committing to science-based greenhouse gas (GHG) reduction targets. Science-based targets provide clearly defined pathways for companies to reduce GHG emissions. Targets are considered science-based if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement.

SBTi requires companies to focus initially on emissions from their direct GHG emissions (Scope 1), their indirect emissions, including the consumption of purchased electricity (Scope 2) and then on their wider indirect (Scope 3) emissions.

We are in the important planning and preparation DRS phase, working with our customers and CSL to ensure as smooth a transition and as successful a scheme as possible. By incentivising consumers to return their drinks containers, DRS will set drinks packaging apart, as drinks containers will become part of a truly circular economy. In countries where DRS is already operational, such as Norway and Germany, return rates of plastic bottles for example reach as high as 98%.

### Water and waste

As a multi-beverage business, water is a principal ingredient, as well as a necessary resource we rely upon across our operations. There is increasing awareness of the challenges faced in managing water resources and we are extremely aware of the part we have to play in protecting this precious commodity.

Water is a key workstream within our **No Time To Waste** environmental sustainability programme and in 2021 we undertook a detailed analysis of our water footprint at all our production sites, working with an independent agency to give us a better understanding of how and where we use water. With this data we have developed an evidence-based water strategy with tangible actions in place for each of our sites over a three-year horizon.

As part of our sustainable sourcing strategy we also know that the most significant water use in our value chain is in agriculture. The crops that we rely upon for many of our products, such as mangos, are grown in hot, potentially water-stressed areas, and we are working in partnership with our global suppliers to encourage sustainable practices.

A key element of our internal water strategy is our focus on cleaning procedures, where small changes can make significant reductions in our water usage. We have also focused on changing our own behaviours, supported by our "Drop by Drop" awareness raising initiative and an employee education and engagement campaign coinciding with World Water Day in March. We are pleased to report that our renewed water strategy is already making a difference with year-on-year improvements in our water usage efficiency against our 2020 baseline. More information can be found in our non-financial KPI section on page 32.

THE UK PLASTICS PACT

Once again we are pleased to have achieved our long-term target related to waste. 100% of our non-hazardous waste is diverted from landfill and our objective is to maintain this performance on a permanent basis.

### Sustainable sourcing

As climate change and a rising population put pressure on our limited natural resources, it is important for all our raw materials to be sourced sustainably and used effectively.

As one of our **No Time To Waste** workstreams, sustainable sourcing is key to ensuring our high-quality ingredients and materials are sourced and manufactured in a fair, ethical and environmentally responsible way.

Our Supplier Code of Conduct, currently applicable to both Barr Soft Drinks and FUNKIN, sets out the key supplier principles we work to and the minimum standards we require our suppliers to meet, which form part of their contractual commitments to us. This Code is fundamental to ensuring we work with suppliers who uphold the highest standards with respect to human rights, conditions of employment and who actively reduce their environmental footprint. We ensure our critical suppliers have embedded sustainable and ethical practices in their organisations, and that they are committed to maintaining these principles within their own supply chain.

**In focus**

## The UK plastics pact

As part of our **No Time To Waste** environmental sustainability programme, we are proud to have become signatories to The UK Plastics Pact.

**What is The UK Plastics Pact?**

The UK Plastics Pact is a bold and unique initiative that will transform the UK's plastic system. By bringing together the entire plastics value chain behind a common set of ambitious targets, it will move us towards a system which keeps plastic in the economy and out of the environment. It will encompass innovation, research and new business models to rethink and redesign what packaging we put on the market in the first place, and how we can encourage more reuse of packaging.

**What will it achieve?**

By 2025, The UK Plastics Pact will transform the UK plastic packaging sector and help stop plastics polluting the environment. Members have signed up to the following targets:

- Eliminate problematic or unnecessary single-use packaging through redesign, innovation or alternative (re-use) delivery models
- 100% of plastic packaging to be reusable, recyclable or compostable
- 70% of plastic packaging effectively recycled or composted
- 30% average recycled content across all plastic packaging

# **Responsibility report** continued
## **We respect the environment** continued

**In focus**
### 100 Litre Challenge

Our **No Time To Waste** programme is not only about achieving our environmental sustainability goals – it is also about encouraging our employees to take personal responsibility.

To mark World Water Day in March 2022, we issued our employees with a 100 litre challenge.

For one day, we challenged employees to see if they could cut their personal water consumption to just 100 litres. Using a purpose-built intranet portal, we used engaging content to share details of where everyone is potentially wasting water – and what simple steps they can take to reduce water waste.

Our suppliers must acknowledge their compliance on an annual basis through our stringent supplier approval process, which uses questionnaires and audits to confirm adherence to our standards across a broad range of requirements. For many years we have used the Supplier Ethical Data Exchange (Sedex) platform, a not-for-profit global membership organisation dedicated to driving improvements in ethical and responsible business practices. We also use the Sedex Supplier Approval Questionnaire as an important secondary validation step which allows independent benchmarking of suppliers on a consistent measurable basis.

The output from these questionnaires also allows us to collaborate and engage with our suppliers to set objectives and action plans to deliver sustainable and continuous improvements. This includes active and ongoing dialogue with our key suppliers – their actions support the delivery of our Scope 3 science-based targets, and ultimately our net-zero ambition.

### Materiality and stakeholder engagement
We regularly engage with internal and external stakeholders to ensure that our responsibility agenda is addressing the material issues.

### Governance
Our responsibility agenda is integrated into our strategic, financial and business planning, as well as our risk management processes, with ultimate accountability sitting with the Board.

Our Executive teams are responsible for the delivery and execution of our responsibility actions and programmes, supported where appropriate by sub-committees and functional or project teams. Further information on the governance of our climate-related risks and opportunities is detailed in our TCFD disclosures on pages 44 to 53.

### Independent assurance
We continued to work with third-party auditors, the Carbon Trust, across the past 12 months. They have completed an audit and verification of our Group operations for Scope 1 and Scope 2 emissions for the year ended January 2022, and verification for the year ended January 2023 is underway. Having developed the world's first certification for organisational $CO_2e$ Reduction Standard and product carbon footprints, the Carbon Trust is the leading carbon footprint certification body.

Our Scope 1 and 2 greenhouse gas emissions for the year ended January 2022 have been verified against the ISO 14064-3 standard.

During 2022 we were also pleased to maintain our A- climate change rating with the Climate Disclosure Project (CDP). CDP is a not-for-profit charity that runs a global environmental disclosure system. CDP is widely used and considered to be one of the most comprehensive independent environmental data sets available. The CDP Score Report allows us to benchmark and compare our environmental stewardship with peers, and provides additional information that can help inform our forward-looking improvement programmes.

### Task Force on Climate-related Financial Disclosures
The Task Force on Climate-related Financial Disclosures (TCFD) provides a framework for companies to report the potential financial impacts from climate change on their business, as well as reporting the progress made by the organisation against the targets set to mitigate climate-related risks and to reduce its impact on the environment.

This framework is designed to help investors and wider stakeholders understand how businesses are managing climate-related financial risks, across four key areas:

**Governance** – setting out the respective roles of the Board and management team in managing risks and opportunities.
**Strategy** – identifying risks and opportunities over different time horizons and explaining how these impact strategic and financial planning.
**Risk Management** – having processes in place for managing identified risks and including these within the overall risk management framework.
**Metrics and Targets** – explaining how both climate change impact and exposure to risks are measured, setting targets and tracking ongoing progress.

Using this framework we set out our full TCFD disclosures below. These reflect the structure of the A.G. Barr Group for the majority of the 2022/23 financial year i.e. covering the Barr Soft Drinks and FUNKIN business units. MOMA and Boost Drinks, acquired in December 2022, will be incorporated into future disclosures.

## Governance

### Board of Directors

The A.G. Barr Board has responsibility for the oversight of climate-related risks and opportunities impacting the Group.

The Board of Directors considers climate-related risks and opportunities when setting and reviewing the Company strategy, agreeing future objectives, budgets and KPIs, setting policies and when considering potential M&A activity.

The Board carries out a full review of our corporate risk register and principal risks, including those related to climate change, twice a year. In addition, the Board regularly discusses climate-related issues across a variety of Board meeting agenda items. These include matters arising from its sub-committees, particularly from the Environmental, Social and Governance (ESG) Committee, as well as from general business updates, where climate-related issues will often be integral. Examples during the year include discussions on science-based targets, net-zero roadmaps, as well as the approval of our strategic capital investment programme, incorporating greenhouse gas reduction projects.

A structured process for identifying and quantifying emerging risks and opportunities across the Group, similar to our risk management approach, provides a framework to support broader thinking on new and emerging areas, including those related to climate change. With input from both our Barr Soft Drinks and FUNKIN Executive teams, this plays an important role in the Board's strategic planning process. The Board completed a robust assessment of the Group's emerging risks, including those related to climate change, during the year.

Corporate climate-related targets, set by the Executive teams and ratified by the ESG Committee, are monitored by the Board on a monthly basis.

The Board, in turn, delegates some elements of its responsibility to its various sub-committees, as set out below:

- The **Audit and Risk Committee** has the delegated responsibility to monitor our internal financial controls as well as our internal control and risk management systems. Its risk management oversight includes the review of our corporate risk register and principal risks, including those related to climate change, at least twice per year.
- The **Environmental, Social and Governance Committee** assists the Board in fulfilling its oversight responsibilities with respect to the Company's management of all relevant ESG matters. The ESG Committee has delegated responsibility for approving the Company's environmental sustainability strategy and reporting back to the Board. It meets twice each year and otherwise as required. The ESG Committee owns, and is responsible for monitoring and updating, our material risks and opportunities related to climate change.
- The **Remuneration Committee** is responsible for determining our remuneration policy, including how climate-related factors are taken into consideration and reflected in reward. Executive Directors' long-term incentive plan awards, by way of illustration, include an environmental sustainability performance measure. Further information is available in our Directors' Remuneration Report on page 91.
- The **Nomination Committee** is responsible for Board appointments and succession planning.

### Barr Soft Drinks and FUNKIN Business Units

Our Executive teams across both business units, Barr Soft Drinks and FUNKIN, are responsible for managing the climate-related risks and opportunities faced by our business on both a long-term strategic basis and day to day. Our strategic planning process considers both the risks and opportunities arising from climate change and a specific process related to emerging risks and opportunities has recently been agreed and is now being introduced. The Executive teams are supported across a number of areas as set out below:

- Our **Group Risk Committee** ensures that a strong framework is in place to manage operational risks effectively, including those associated with climate change. The Committee oversees our principal risks and uncertainties, and reviews the effectiveness of risk management and compliance systems in managing those risks. The aim of the Committee is to ensure that employees understand the importance of good risk management, a supportive risk management culture is embedded across the Group and that risk management processes are clearly deployed.
- The **No Time To Waste Steering Group,** chaired by our CEO, governs our Group-wide environmental sustainability programme. The **No Time To Waste** Steering Group has overall responsibility for setting the Group's environmental sustainability strategy, for achieving the Company's climate change objectives, and for monitoring and managing risks and opportunities related to climate change. The **No Time To Waste** programme encompasses five key workstreams associated with reducing the effects of climate change. Each workstream, and its associated team, owns a risk register relevant to its specific area of focus. The risks identified, along with opportunities arising from the climate change agenda, are reviewed on a monthly basis by the Steering Group.
- Our **Capital Allocation Committee** is responsible for ensuring the best use of our capital resources in line with our strategy and plans. This includes the review and approval of capital expenditure programmes related to environmental sustainability, taking into account the risks and opportunities in investment decisions.
- Our **Emerging Risks and Opportunities Group** is responsible for identifying and managing emerging risks and opportunities at an A.G Barr Group level. This group conducts an annual review prior to making recommendations to the Board, the output from which forms part of our Board's annual Strategy Review.

# **Responsibility report** continued
## **We respect the environment** continued

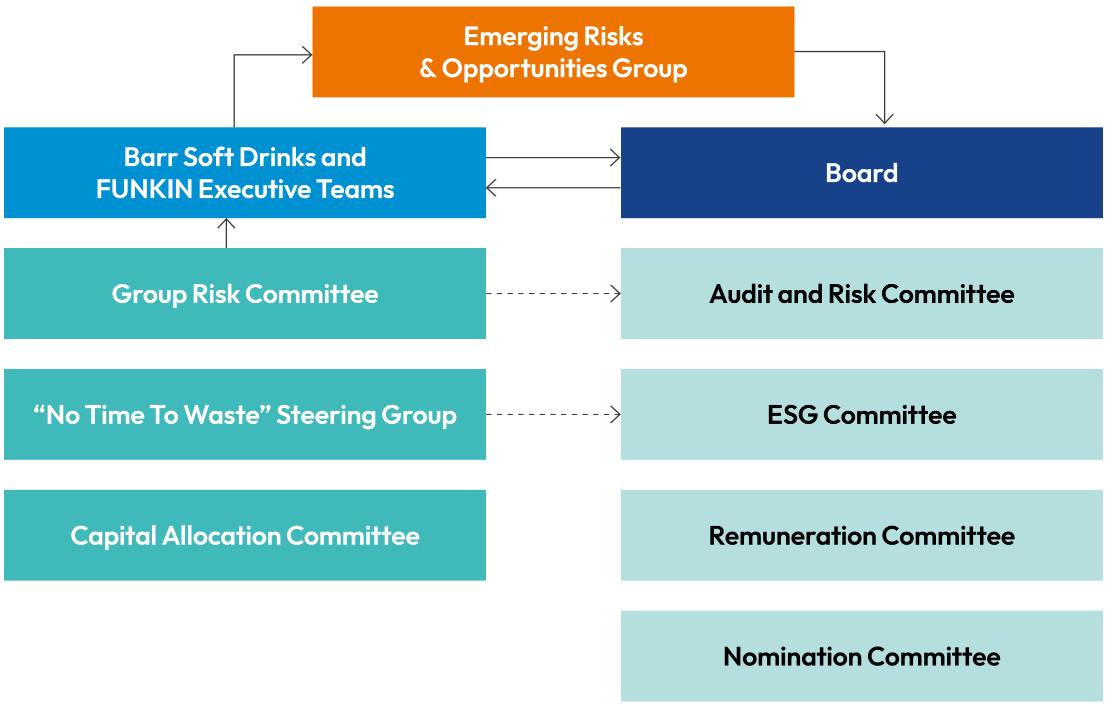
### Strategy

Our Board has ultimate responsibility for agreeing our business strategy, taking into account, and reflecting where appropriate, the risks and opportunities associated with climate change. As detailed above, the Board's strategic thinking and decision making is supported and informed by our Executive teams and by a number of Board sub-committees. As detailed in the metrics and targets section that follows, our key climate related objective, borne out of our strategy, relates to our achievement of our science-based targets and our ultimate net-zero commitment. Our associated road map is set out on pages 40 and 41.

Our strategic timeframes are as follows:
- Short-term: 0 to 1 years
- Medium-term: 1 to 5 years
- Long-term: 5+ years

The opportunities, as well as physical and transition risks considered material to our business, are detailed on the following pages along with our strategic responses. Our methodology for defining material financial and strategic impacts on our business is aligned with our risk management approach, detailed in the Risk Management section that follows. Gross risk impacts that fall in the categories of "moderate", "major" or "critical" would be deemed to be material.

**Our climate-related governance**



## Physical risks

**associated with increased severity of extreme weather events such as cyclones and floods (acute), and associated with changes in precipitation patterns and extreme variability in weather patterns, rising mean temperatures and rising sea levels (chronic).**

| Risk Type & Description | Timeframe | Potential financial impact |
|---|---|---|
| **Chronic risk**<br>The risk that climate change impacts the future availability, quality and cost of the natural ingredients required to manufacture our products, such as sugar, fruit juices and water. | Long-term | ■■■ |
| **Strategic response:**<br>We have dedicated Sustainable Sourcing and Water workstreams within our **No Time To Waste** environmental sustainability programme with ambitious strategies in these areas. Further information is available on pages 42 and 45, however by way of illustration of action taken related to fruit availability, we have developed a network of suppliers who can supply materials from different origins and have set up a programme to approve fruit juices from different geographic sources, such as passion fruit from Vietnam, in addition to our existing supply from Ecuador, thus reducing risk of supply and ultimately protecting sales. | | |

## Transition risks

**associated with changes to policy and legislation, technology, the market and reputation.**

| Risk Type & Description | Timeframe | Potential financial impact |
|---|---|---|
| **Policy and legal risk**<br>The risk of higher costs as a consequence of planned/potential regulation such as a carbon tax, or packaging related regulations/taxes such as UK Extended Producer Responsibility (EPR) and the EU Single-Use Plastics Directive. | Long-term | ■■■ |
| **Strategic response:**<br>We have approved science-based targets that will see us becoming net-zero across our own operations by 2035 and across our full supply chain by 2050, if not sooner. We have already begun our decarbonisation journey in areas such as transitioning to 100% renewable electricity and 100% electric forklift trucks.<br><br>We are also focused on reducing, recycling and reusing across our packaging. 100% of our Barr Soft Drinks packaging is already recyclable and we are increasing our use of recycled material. We now have 100% recycled plastic film across all of our Barr Soft Drinks consumer multipacks and introduced our first 100% recycled bottles in April 2022, as part of a longer-term objective of having 100% recycled content across our full portfolio of plastic bottles by 2025. Discussions are also underway with our glass and aluminium can suppliers on how we can work together to increase recycled content in the products they provide. We are reducing packaging where possible, such as in a recent reduction of stretch wrap weight.<br><br>In addition, we are positive supporters of the implementation of DRS in the UK, which will help to mitigate potential EPR costs for the business – the latest government proposals in this area have confirmed that containers subject to DRS will be out of scope of EPR. | | |

Potential financial impact Movement: ■■■ Moderate ■■■ Major ■■■ Critical

# **Responsibility report** continued
## **We respect the environment** continued

### Transition risks
**associated with changes to policy and legislation, technology, the market and reputation.**

| Risk Type & Description | Timeframe | Potential financial impact |
|---|---|---|
| **Market risk**<br>The risk that consumer behaviours change in relation to single-use packaging or as a result of regulatory changes designed to reduce the impact of climate change, such as DRS, resulting in a reduction in demand for our products or consumers switching to brands perceived as more sustainable. | Medium-term | |
| **Strategic response:**<br>As already detailed, we are positive supporters of the implementation of DRS, due to be implemented in Scotland in August 2023, and expected to launch in England no earlier than 2025. By incentivising consumers to return their drinks containers, DRS will set drinks packaging apart, as drinks containers will become part of a truly circular economy.<br><br>The delivery of our net-zero roadmaps, and specifically our drive to reduce, recycle and reuse across our packaging, are key to improving our environmental credentials and further building trust with consumers. | | |

### Opportunities
**associated with resource efficiency, energy sources, products and services, markets and resilience.**

| Opportunity Description & Type | Timeframe | Potential financial impact |
|---|---|---|
| **Energy source opportunity**<br>Use of lower-emission energy sources, such as photovoltaic panels and heat pumps for the generation of electricity, heat and steam, leading to a reduction in greenhouse gas emissions. | Medium-term | |
| **Strategic response:**<br>These initiatives present a significant opportunity to reduce our Scope 1 (reduction of gas consumption from heat pumps) and Scope 2 (on-site electricity generation from photovoltaic panels) emissions, thereby mitigating the on-cost associated with the potential introduction of carbon pricing while also potentially delivering utility cost reductions. | | |
| **Market opportunity**<br>The opportunity that consumer behaviours change, with consumption patterns shifting towards products perceived to be more environmentally friendly, resulting in sales opportunities. More environmentally orientated consumer behaviours could include supporting companies who have clear plans to achieve net-zero or who are actively engaged in DRS. It could also extend to increased 'staycations' or the favouring of domestic produced products. | Long-term | |
| **Strategic response:**<br>Communication with our customers and consumers is key to ensuring our environmental sustainability plans and progress are well understood. We provide regular updates to our customers via our sales force and we are increasingly communicating directly with all consumers, both on-pack and through traditional and social media channels. | | |

Potential financial impact Movement: Moderate Major Critical

We believe that our strategic actions are currently providing an acceptable degree of long-term resilience, taking into consideration different climate related scenarios as set out below.

## Risk Management

### Identifying risks

Each department or function in the Company has its own risk register that is reviewed on a regular basis. Climate-related risks, including those associated with existing and emerging regulatory requirements, are identified and assessed alongside other business risks during the departmental reviews. Departmental risk registers feed into the corporate risk register, which is reviewed by our Group Risk Committee every two months.

The Emerging Risks and Opportunities Group, as already detailed in the Governance section, is responsible for the Group's emerging risk register, with a longer-term horizon than that considered by the departmental units. The Group Risk Committee will retain oversight of emerging risks going forward.

The ESG Committee owns, and is responsible for monitoring and updating, our material risks and opportunities related to climate change, as already detailed in the Strategy section. The ESG Committee is supported by a cross-functional group of senior executives who help input into this process both in terms of risk identification and assessment aligned to worst-case and best-case climate scenarios, as detailed here.

| **Best-case climate scenario**<br>**IEA Net-Zero by 2050** | **Worst-case climate scenario**<br>**IPCC RCP8.5 / SSP5** |
|---|---|
| **Scenario narrative & context**<br>Under this scenario, global warming is limited to below 1.5°C above pre-industrial levels by 2100 through global collaboration and policy intervention to reduce greenhouse gas emissions and reach net-zero emissions by 2050.<br><br>For example, this scenario foresees the implementation of a carbon price/tax that could start at $75 per tonne $CO_2e$ in 2025 for developed countries, rising to $205 per tonne $CO_2e$ in 2040.<br><br>We chose this scenario to assess transition risks and because its time horizon aligns with the UK Government's pledge to achieve net-zero by 2050, therefore offering a plausible pathway for our local authorities. | **Scenario narrative & context**<br>Limited efforts are made by governments and businesses to reduce greenhouse gas emissions, leading to temperature rises of 4°C above pre-industrial levels by 2100.<br><br>In this scenario, the emphasis turns to protecting the population and operational assets from the catastrophic impact of the changing climate as opposed to reducing the emissions themselves.<br><br>We chose this scenario to assess the potential physical risks on our business and supply chain, as it is supported with long-term data ranges on temperature, precipitations and rise in sea levels. The data from the scenario extends to 2100 and allows us to take medium and long-term views on risks, considering the impact of market change in the locations of our own assets and at the origin of our key materials. |

The climate-related risks considered material to our business are detailed on pages 47 and 48, however this scenario planning process identified a range of other risks and opportunities.

# Responsibility report continued
## We respect the environment continued

**Assessing risks**
Our corporate risk register guidelines provide the framework for defining financial and strategic impacts on our business. This framework applies equally to climate-related risks and categorises five levels of risk impact: "insignificant", "minor", "moderate", "major" and "critical".

The corporate risk register guidelines also include definitions for the likelihood of the risks, including: "rare", "unlikely", "possible", "likely" and "almost certain". Different parameters are taken into account when assessing the potential impact of a risk, including financial aspects, environmental aspects, and other aspects such as health and safety and corporate reputation. Each risk is given a risk rating before and after mitigating actions.

Gross risk impacts that fall in the categories of "moderate", "major" or "critical" would be deemed to be material.

From a financial perspective, a "moderate" impact is defined as impacting financial turnover or profit by between 3% and 10%, a "major" impact is defined as impacting financial turnover or profit by more than 10% and less than 25%. A financial impact of 25% of more on turnover or profit would be deemed as "critical".

**Managing risks**
The resolution of moderate impacts requires the input from the Executive team. The resolution of major and critical impacts requires the input from the Board and/or its sub-committees.

The Group Risk Committee reports back to the Audit and Risk Committee, attended by Directors on the Board. Similarly, the ESG Committee reports to the Board on the material climate-related risks identified.

Mitigating actions are developed for each risk and their effectiveness is reviewed on an ongoing basis. New actions are triggered in order to further reduce the net score of each risk, especially for those risks that sit outside of the Board risk appetite. Functional risk registers are reviewed in depth by the Risk Committee according to an annual schedule to ensure that risks are well represented and that actions are taken to reduce the level of risk for the business.

**Metrics & Targets**
The mitigating actions for our key climate-related risks, identified through our ESG Committee and our multi-functional and business-wide risk management process, are being managed primarily through our **No Time To Waste** environmental sustainability programme. This programme has identified a number of long-term climate-related goals, with the key deliverables being the achievement of our science-based targets and the ultimate delivery of our net-zero by 2050 commitment. Other climate-related targets and KPIs, including those related to packaging, waste and water are detailed within our long-term goals and non-financial key performance indicators on pages 31 and 32.

On a cross-industry basis we are working collaboratively with other producers on the effective introduction of a deposit return scheme across the UK.

Our SBTi approved science-based carbon reduction targets are in line with the latest climate science recommendations necessary to meet the goals of the Paris Agreement and limit the temperature increase to 1.5°C above pre-industrial levels. These targets are detailed below and set out our commitment to be net-zero across our own operations by 2035 and across our wider supply chain by 2050, if not sooner.

NO TIME TO WASTE

## Our science-based targets

**Overall Net-Zero Target**
We commit to reach net-zero greenhouse gas (GHG) emissions across the value chain by FY2050 from a FY2020 base year.

**Near-term Targets**
We commit to reduce absolute scope 1 and 2 GHG emissions 60% by FY2030 from a FY2020 base year.

We also commit to reduce absolute scope 3 GHG emissions from purchased goods and services, upstream transport and distribution and downstream transport and distribution 25% within the same timeframe.

**Long-term Targets**
We commit to reduce absolute scope 1 and 2 GHG emissions 90% by FY2035 from a 2020 base year.

We also commit to reduce scope 3 GHG emissions from purchased goods and services, upstream transport and distribution and downstream transport and distribution 90% by FY2050 from a FY2020 base year.

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Notes:
FY2020 refers to AG Barr financial year 2020/21 ended in January 2021. The same convention applies to FY2030, FY2035 and FY2050

**Our 2021/22 greenhouse gas emissions**

| | Emissions (t $CO_2e$) | |
|---|---|---|
| | 2020/2021 | **2021/2022** |
| **Total Scope 1** | 5,434 | **3,848** |
| **Total Scope 2 (market-based)** | 1,888 | **1,036** |
| **Scope 3** | | |
| Purchased goods and services (product) | 106,608 | **86,767** |
| Purchased goods and services (non-product) | 7,625 | **11,877** |
| Capital goods | 1,763 | **3,311** |
| Fuel and energy related activities | 2,150 | **2,158** |
| Upstream transportation and distribution | 4,587 | **30,616** |
| Waste generated in operations | 66 | **117** |
| Business travel | 226 | **85** |
| Employee commuting | 427 | **223** |
| Upstream leased assets | – | **–** |
| Downstream transportation and distribution | 18,768 | **18,254** |
| Processing of sold products | – | **348** |
| Use of sold products (direct) | – | **–** |
| Use of sold products (indirect) | 3,428 | **2,016** |
| End-of-life treatment of sold products | 1,570 | **4,236** |
| Downstream leased assets | – | **–** |
| Franchises | 62 | **–** |
| Investments | – | **99** |
| **Total Scope 3** | 147,280 | **160,107** |
| **Total Scope 1, 2 & 3** | 154,602 | **164,991** |

Our Scope 3 emissions increased by c.7% in 2021. This reflects our increased sales volumes as we recovered following the pandemic and some discrepancies and omissions identified in 2020's baseline assessment. The discrepancies and omissions have now been rectified and the learnings will be carried forward in our future carbon footprint assessments and future target setting.

While our full carbon footprint assessments run a year behind due to calculation and validation requirements, our Scope 1 and 2 emissions data is available for the 2022/23 financial year as follows.

# **Responsibility report** continued
## **We respect the environment** continued

**Streamlined Energy and Carbon Reporting (SECR)**
We are reporting against the SECR framework for the third year, for the period 31 January 2022 to 29 January 2023. We report as a quoted Company and confirm that all the minimum requirements have been addressed and are presented here. All global energy and emissions reported related to UK operations – there are no non-UK energy and emissions.

Our total energy consumption for 2022/2023 was 44,658,466 kWh. This includes our electricity, steam and natural gas usage for our production, distribution and office buildings, as well as transport fuels for logistics vehicles and Company cars.

Under a location-based approach, the total global Scope 1 & 2 carbon emissions associated with our reported energy use and fugitive emissions from refrigerant leaks for 2022/2023 were 8,822.83 $tCO_2e$, as summarised in the table below:

| Carbon Emissions (Location-based)* | 2022/23 | 2021/22 |
|---|---|---|
| Scope 1 emissions – ($tCO_2e$) | **4,363.67** | 3,847.87 |
| Scope 2 emissions – purchased electricity ($tCO_2e$) | **4,328.29** | 4,752.63 |
| Scope 2 emissions – purchased stream ($tCO_2e$) | **130.87** | 999.68 |
| **Total Scope 1 & 2 emissions ($tCO_2e$)** | **8,822.83** | **9600.19** |

* The location-based approach applies UK grid average carbon emission factors to all Scope 2 purchased electricity.

Under a market-based approach the total global Scope 1 & 2 carbon emissions associated with our reported energy use and fugitive emissions from refrigerant leaks for 2022/2023 are 4,539.70 $tCO_2e$, as summarised in the table below:

| Carbon Emissions (Market-based)* | 2022/23 | 2021/22 |
|---|---|---|
| Scope 1 emissions – ($tCO_2e$) | **4,363.67** | 3,847.87 |
| Scope 2 emissions – purchased electricity ($tCO_2e$) | **45.16** | 35.96 |
| Scope 2 emissions – purchased stream ($tCO_2e$) | **130.87** | 999.68 |
| **Total Scope 1 & 2 emissions ($tCO_2e$)** | **4,539.70** | **4,883.52** |

* It should be noted that, in 2021/22 purchased steam provided by a 3rd party at Cumbernauld is categorised under Scope 2 and accounted for 999.7$tCO_2e$. In 2022/23 we began generating our own steam rather than continuing to purchase steam from a third party. This change occurred on the 1st April 2022 and remained in place until the end of the financial period. A small amount of Scope 2 steam purchase remains for the first two months of the year reflecting 130.87$tCO_2e$ of emissions.

### Methodology
The methodology used is the WBCSD/WRI Greenhouse Gas Protocol – a corporate accounting standard revised edition in conjunction with UK Government environmental reporting guidelines including SECR guidance. An operational control approach has been taken. We have used the UK Government greenhouse gas conversion factors for company reporting 2022. Scope 2 emissions from purchased electricity have been measured using a location-based approach.

### Intensity ratio
For 2022/2023, our emissions intensity, measured as the total Scope 1 and 2 emissions relative to the thousand litres of product produced is 20.34 kg $CO_2e$ per thousand litres of product produced. This compares with 21.55 kg $CO_2e$ per thousand litres of product produced, as detailed in our previous Annual Report.

### Energy efficiency actions
1. We are procuring REGO backed renewable electricity across all our operational sites, leading to a significant reduction in Scope 2 emissions (under market-based reporting).
2. We are rolling out our "Brilliance in the Making" continuous improvement programme across our manufacturing sites. Through this programme we are investing heavily in the training of our staff in better problem solving and team working skills. This programme improves energy efficiency through reduction in changeover times, improvements in line reliability and the reduction of waste.
3. We are awaiting the delivery of 12 CNG trucks that will run on biomethane instead of diesel. We are expecting CNG trucks to deliver a 98% reduction in $CO_2e$ when compared to diesel trucks.
4. We carried out a trial with hydrotreated vegetable oil (HVO) at one of our depots. The trial has been extended into 2023 and is expected to deliver a 97% reduction in $CO_2e$ when compared to diesel trucks.
5. We have initiated a project at our Milton Keynes site aiming to reduce natural gas consumption by 90% through the use of solar panels and heat pumps. The feasibility study is underway.
6. The lights on our Campsies campus at Cumbernauld were switched to LED, with an expected annual energy saving of 76,000 kWh.
7. We initiated a project to install more efficient water pumps at our Cumbernauld site, expected to save circa 470,000 kWh in energy.
8. We have amended our company car policy so that from the 1st April 2023, new company cars allocated to staff will be either fully electric or hybrid. EV charging points have been installed at our Cumbernauld and Milton Keynes sites in order to support this transition.
9. Forklift use has been fully electrified in 2022/23 with no further use of LPG equipment

**Reported emissions (and carbon offsets) (tonnes CO2e)**
*of carbon dioxide equivalent in the stated period*

| | 2022/23 | 2021/22 |
|---|---|---|
| **Total net emissions** | **8,823** | 9,600 |
| **Total gross emissions (scope 1 and 2)** | **8,823** | 9,600 |
| **Total direct and indirect emissions (scope 1 and 2)** | **8,823** | 9,600 |
| **Direct emissions (scope 1)** | **4,364** | 3,848 |
| Direct emissions (scope 1) stationary combustion | **2,526** | 1,839 |
| Direct emissions(scope 1) mobile combustion | **1,837.3** | 2,009 |
| *Direct emissions (scope 1) from transport fuels* | ***1,837*** | *2,009* |
| *Direct emissions (scope 1) from other mobile combustion* | ***0.0*** | *0.0* |
| Direct emissions (scope 1) from process sources | **0.0** | 0.0 |
| Direct emissions (scope 1) from fugitive sources | **0.0** | 0.0 |
| Direct emissions (scope 1) from agricultural sources | **0.0** | 0.0 |
| **Total direct emissions (scope 1)** | | |
| **Indirect emissions (scope 2)** | **4,459** | 5,752 |
| Indirect emissions (scope 2) from electricity | **4,328** | 4,753 |
| Indirect emissions (scope 2) from purchased steam | **130.9** | 999.7 |
| Indirect emissions (scope 2) from purchased heating | **0.0** | 0.0 |
| Indirect emissions (scope 2) from purchased cooling | **0.0** | 0.0 |
| **Total indirect emissions (scope 2)** | | |
| **Energy consumption (kWh)** *Kilowatt hour equivalent in the stated period* | | |
| Energy consumption used to calculate emissions | **44,658,446** | 46,218,416 |
| Energy consumption, combustion of gas | **13,840,144** | 9,129,265 |
| Energy consumption, electricity | **22,382,308** | 22,383,215 |
| Energy consumption, combustion of transport fuel | **7,719,044** | 8,469,091 |
| Energy consumption, other (Thermal Fuels) | **0.0** | 107,296 |
| **Intensity ratio** | | |
| Intensity ratio | **0.020** | 0.022 |
| The reported emissions intensity ratio is the total gross emissions (Scope 1 & 2 in tonnes $CO_2e$) per thousand litres of product produced | | |
| Intensity ratio based solely on mandatory data | **True** | True |

## TCFD Compliance Statement

Our climate-related financial disclosures are consistent with all of the TCFD recommendations and recommended disclosures. By this we mean the four TCFD recommendations and the 11 recommended disclosures set out in Figure 4 of Section C of the report entitled "Recommendations of the Task Force on Climate-related Financial Disclosures" published in June 2017 by the TCFD.

**Responsibility report** continued

3 GOOD HEALTH AND WELL-BEING

# We support healthy living

### Calorie reduction

Our job has always been, and continues to be, about understanding consumers and their changing tastes and preferences, and providing them with great products. Evidence shows that most soft drinks consumers want to reduce their sugar intake while still enjoying great tasting drinks. We have been reducing the sugar content across our soft drinks portfolio and introducing new and innovative reduced sugar products in response to our consumers' changing tastes and preferences for many years.

98% of our Barr Soft Drinks portfolio by volume is considered no or low sugar, containing less than 5g total sugars per 100ml, and exempt from the UK Soft Drinks Industry Levy, often referred to colloquially as the "sugar tax".

New price and location restrictions came into force in England in October 2022, applicable to High Fat, Sugar and Salt (HFSS) products. The definition of "high sugar" for standard soft drinks is greater than 4.5g total sugar per 100ml and from April 2022, six months ahead of the new regulations, 98% of our Barr Soft Drinks portfolio was HFSS exempt.

### Responsible advertising and marketing

We take our responsibility in how we market, promote and advertise our products very seriously. We advertise responsibly, offer a wide range of pack sizes to assist with portion control and, by providing clear nutritional information, enable our consumers to make informed choices. We fully comply with all of the appropriate regulations and in some cases go beyond the standards set, such as in the area of energy drinks where our industry code exceeds regulatory requirements.

### Labelling

We have always been committed to providing clear calorie and nutritional information on our soft drinks packs to help consumers choose products that are right for them. We were one of the earliest adopters of the government's voluntary front of pack nutritional labelling on all our Company-owned Barr Soft Drinks brands, which is a simple traffic light style scheme, making it even easier for consumers to find the information they need.

### Research and Development

Our positive portfolio position is supported by our in-house research, development and innovation team, which delivers a wide range of reformulation and innovation projects, using the experience they have gained over many years to optimise recipes and carry out robust consumer research to ensure our recipes meet consumer needs.

**In focus**

## Investment in new R&D laboratory

In September 2022 we hosted employees from around the business in a series of open days at our newly refurbished Middlebrook laboratory.

The lab plays a vital role in the business and the investment in an extensive refit of the facilities demonstrates the importance placed on flavour, quality and innovation. Colleagues were invited to view a new sensory suite, packaging lab and enhanced general lab space giving them the opportunity to see how our famous products are developed. Colleagues were also offered the opportunity to design their own beverage, give it a name and take it home for their friends and family to try.

# We give back

### Engaging with communities

Supporting and working with our local communities has been at the core of our business since we were first established in 1875.

We support a range of charities and community groups across the UK, from local clubs and charity fundraisers to large charities helping people on a national scale. We help in various ways, including financially, through donations or on a practical level with employee volunteering.

**In focus**

## Support for GroceryAid

September 2022 saw us become headline sponsors for "Checkout Scotland" an inaugural music event held in support of retailer charity GroceryAid.

GroceryAid is a charity that offers invaluable support to colleagues across the retail sector giving them access to vital financial and wellbeing services.

The gig took place in the fantastic Glasgow venue Barras Art & Design with over 700 guests attending to enjoy an impressive line-up of acts including Scouting for Girls, The Feeling and Sophie Ellis-Bextor.

As headline sponsors, IRN-BRU's presence was unmissable from our branding, to our VIP area and even IRN-BRU burger sauce.

The event helped raise awareness of the charity and the life-changing work it does for industry colleagues in need of a little help.

### New charity partner

In June 2022 our employees voted for a new three-year charity partner – Marie Curie.

After three successful years working with Mental Health UK, our employees voted for Marie Curie as our new partner, a fantastic charity that provides care and support to people coping with terminal illness as well as those close to them.

The three-year partnership will see the business donate £150,000 directly to the charity, with additional fundraising from employees adding further support.

### Employee volunteering

Our employees are encouraged to take part in volunteering activities, often giving something back to the local communities we serve. This year saw employees volunteering for a range of deserving causes, including Women's Aid, the Children's Panel and a local biodiversity project.

**In focus**

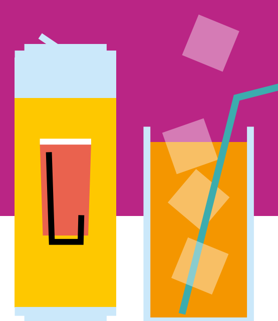
## FUNKIN and The Drinks Trust

FUNKIN's marketing team spent a volunteer day hosting a marketing workshop for aspiring future leaders within the hospitality and drinks industry.

In collaboration with The Drinks Trust, 21 members of its Develop programme – ranging from hospitality staff to managing directors and business owners – attended five separate workshops learning about brands, trade and digital marketing, menu-building, mixology and innovation.

A rewarding day for both the participants and our FUNKIN colleagues, it was an opportunity to share expertise and inspire the future professionals of the drinks industry.

Since 1886, The Drinks Trust has provided care and support to the drinks hospitality industry workforce, both past and present. The Drinks Trust is run by industry professionals, funded by drinks industry partners, including FUNKIN, and supported by thousands of drinks hospitality industry fundraisers, donors and contributors.



# Financial review

> **A positive financial performance with strong organic revenue and profit growth and two exciting acquisitions.**

**Stuart Lorimer**
Finance Director

## Overview

The business has delivered another year of impressive financial performance with top and bottom line growth during a year of high cost inflation, supply chain challenges and macroeconomic uncertainty:

| | 2022/23 | Versus 2021/22 | |
|---|---|---|---|
| Reported revenue | **£317.6m** | £268.6m | +18.2% |
| Reported profit before tax | **£44.4m** | £42.2m | +5.2% |
| Adjusted profit before tax* | **£43.5m** | £38.4m | +13.3% |
| Adjusted operating margin* | **13.6%** | 14.9% | (1.3pp) |
| Net cash at bank* | **£52.9m** | £68.4m | (22.7%) |
| Reported EPS (basic p/share) | **30.47p** | 25.09p | +21.4% |
| Dividend per share (proposed final and interim) | **13.10p** | 12.0p | +9.2% |

Our revenue increase was driven by a combination of brand momentum, revenue management and the incremental contribution from our MOMA and Boost Drinks acquisitions. Like-for-like revenue growth*, adjusting for MOMA and Boost new business and the extra week in the prior year, was 15.9%.

Throughout the pandemic, and the disruption that followed as the economy reopened, we worked collaboratively with our customers to ensure we recognised the impact of restrictions on the brand support and discounts we provided. This involved numerous commercial discussions, and in certain circumstances, changes to promotional terms. This has resulted in a change in estimate and recognition of £5.1m (2021/22: £4.9m) of additional variable consideration.

In a challenging cost environment our adjusted profit before tax* increased by 13.3%. While recessionary concerns, inflationary pressures and supply chain disruption were clear headwinds, we continued to invest for the future, in our brands, our people and our assets. Our operating margin was compressed as a result of supply chain cost inflation, the impact of MOMA and Boost's lower margins, and investment in marketing ahead of sales in both FUNKIN and MOMA.

Our cash generation remains strong having generated £35.9m of net cash from operations.

Our capital allocation principles are consistent with our strategic ambition to consistently grow our business. We prioritise the utilisation of funds to support organic growth, finance appropriate acquisition opportunities, provide shareholder income and optimise debt when appropriate. In 2022/23, in addition to increased marketing spend across our core brands, we chose to invest in long-term sustainable growth through our acquisitions and a step up in capital investment across our operating sites. Our capital programme is expected to result in investment in excess of £50m over the next three years.

Our core brand strength, our clear strategy and our engaged workforce provide a strong foundation to deliver sustainable long-term shareholder value.

## Adjusting items

The Group reported results include a net credit of £0.9m (2021/22: £0.7m credit) relating to pre-tax adjusting items which are excluded from adjusted profit:

- **M&A – MOMA:** A net credit of £1.6m relating to the re-measurement and release of the excess contingent consideration in respect of MOMA Foods Limited following the Group's acquisition of the remaining 38.2% minority interest in December 2022.
- **M&A – Boost Drinks:** A net charge of £2.0m relating to costs associated with the successful acquisition of Boost Drinks Holdings Limited. This comprises £1.2m of one-off acquisition fees and a further £0.8m accrual related to the potential 2024/25 payment of £10m associated to the acquisition earn-out. Both the acquisition fees and the earn-out accrual have been charged to operating expenses in the income statement.
- **Asset disposal:** A £1.3m one-off gain on the sale of our Newcastle distribution site which was closed in April 2022 as part of the completed Group-wide restructuring programme that was announced in 2021/22.

## Segmental performance

There are three reportable segments in the Group:

- Soft drinks
- Cocktail solutions
- Other

### Soft drinks

The soft drinks segment comprises two business units, Barr Soft Drinks and Boost Drinks, with decisions made at a business unit level. This allows agile and effective operational management and strong Group oversight.

### Barr Soft Drinks

Barr Soft Drinks delivered a year of strong top line revenue growth, up 12.4% on 2021/22, driven by volume growth, disciplined pricing and promotional management as well as a small element of favourable brand and channel mix. Gross margin declined as high and sustained raw material inflation was only partially mitigated by pricing action and disciplined cost management.

IRN-BRU revenue grew by 6% with a strong performance in the out-of-home channel more than compensating for lower take home sales as the channels continue to rebalance following pandemic disruption.

Rubicon's growth was particularly pleasing, up 8% in volume and over 20% in revenue, with the brand benefiting from increased distribution, continued innovation, and a strong marketing programme. Growth was broad based across the whole Rubicon range with Sparkling, Spring, Stills and RAW Energy, all delivering double digit revenue growth.

Gross margin in the second half of the financial year was impacted by high exotic fruit costs following particularly poor harvests.

Our other portfolio brands, including Barr Flavours, KA and Simply Fruity, grew in both volume and revenue terms as consumers sought value in the face of cost of living challenges.

### Boost Drinks

The Boost Drinks portfolio, spanning energy, sport, iced coffee, protein and including the franchise brand, Rio, was acquired by the Group in December 2022. Our financial results include Boost's contribution for the two months since acquisition – c.£7m of revenue and c.£1m of gross profit. The impact to Group profit was negligible and is in line with the acquisition business case.

> **Our capital allocation principles are consistent with our strategic ambition to consistently grow our business.**

# **Financial review** continued

## Segmental performance – reported revenue


**Cocktail solutions**
FUNKIN delivered another year of significant growth with revenue up 16.0% and gross profit up 10.2%. The business benefited from a strong on-trade recovery, especially in the first half of the financial year, and continued distribution gains in the growing off-trade ready to drink cocktail market. Gross margin was impacted by increases in input costs, fruit in particular, and a more challenging macroeconomic environment for our on-trade customers in the second half of the year.

**Other**
The 'Other' segment represents our MOMA business unit, comprising oat milk drinks and other oat based products. MOMA continues to build distribution across both grocery and food service channels with revenue up over 41% versus the prior year. Cost inflation in both processing and raw materials has adversely impacted gross margin. The Group secured full ownership of the MOMA business in December 2022 and this will now allow us to invest for the long-term growth of the brand.

### Operating margin
The combination of the inflationary macroeconomic environment, the medium-term margin dilutive impact of the Boost and MOMA acquisitions and our commitment to maintaining marketing investment behind our long-term growth drivers, led to an adjusted operating margin* of 13.6% (2021/22: 14.9%).

Our marketing spend was ahead of sales growth for the second successive year as we continued to invest behind our core brands, innovation and our acquisitions.

During the year we also provided support with the immediate cost of living challenges, through targeted one-off payments as well as longer term investment in personal skills and capabilities.

### Interest
The Group remained net cash positive throughout 2022/23. Finance income of £0.5m relates to interest earned on cash held on rolling short-term deposits. The finance charge of £1.4m primarily relates to the non-cash MOMA acquisition accounting (£1.1m), included as an adjusting item in determining adjusted profit as explained in the adjusting items section. The remaining finance charge of £0.3m relates to banking costs associated with the Group's revolving credit facilities and lease interest costs under IFRS 16.

### Taxation
The reported tax rate for the year ended 29 January 2023 was 23.6% compared with 34.1% for the year ended 30 January 2022. The tax rate for the year is above the 19% UK corporation tax rate due to c.£2m of M&A related costs recognised in the year that are non-deductible for tax purposes. These primarily rate to c.£1m of acquisition transaction costs and £0.8m of accrued earn-out recognised in the year.

The reported tax charge for the prior year included the impact of the change in corporation tax rate from 19% to 25% on deferred tax which increased the deferred tax liability by £5.7m. Excluding the impact of the increase in rate for deferred tax, the effective tax rate for the year ended 30 January 2022 would be c.21%.

### Earnings Per Share (EPS)
Adjusted basic EPS* for the year was 29.66p, an increase of 37.4% on the prior year due to higher operating profits and the adverse impact on the prior year EPS from an increase in deferred tax as detailed above. Basic reported EPS was 30.47p, an increase of 21.4% on last year. Based on a diluted weighted average of 112,178,721 shares, diluted EPS was 30.22p (2021/22: 24.95p).

### Dividends
The Group resumed dividends, after the pandemic related pause, with the announcement in September 2021 of a 2.0p interim dividend and a one-off special dividend of 10.0p in recognition of the benefit from a number of one-off cash inflows that had been received but that were not part of normal trading.

The Group's dividend policy aims to deliver a progressive and sustainable dividend to shareholders that has regard to current performance trends including revenue, profit after tax and cash, and that satisfies certain guiding principles:

- Dividend cover: targeting two times cover
- Payout ratio: targeting 50% of free cash flow*
- Consistent with medium-term profit outlook

Based on this framework, and following the interim dividend of 2.50p per share paid in October 2022, the Board is recommending a final dividend for the period of 10.60p. This will bring the full year dividend to 13.10p per share (2021/2022: 12.0p per share) which provides two times dividend cover and delivers a payout ratio of 43%. The Board believes the final dividend growth of 6.0% is sustainable. Subject to approval by shareholders at the AGM in May, the final dividend will be paid to holders of ordinary shares on the register as of 12 May 2023 with an ex-dividend date of 11 May 2023.

## Balance Sheet and Cash Flow

The balance sheet as at 29 January 2023 recognises the first time inclusion of the Boost Drinks acquisition and the associated assets and liabilities of this company.

The Group remains financially strong with net cash at bank, no material trade debt issues, healthy inventory levels, a defined benefit pension surplus and a £20.6m increase in the net asset base to £268.8m.

Inventory values have increased due to the Boost Drinks acquisition, inflation and a planned stock-build to support the installation of our new PET line as part of our Cumbernauld factory refresh. Year end payables and accruals have increased, reflecting the Boost Drinks acquisition, significant capital spend accruals and the timing of our month end payment run which took place after the year end in 2022/23 but before the year end in the prior year.

Global disruptions and geo-political challenges have reinforced the importance of resilient supply chain capabilities. We remain committed to internal manufacturing when scale and capabilities permit, and recognise the value of a well-invested asset base. After a period of restricted spend associated with the pandemic, our capital programme resumed with total additions in the year of £17.0m (2021/22: £5.8m) comprising £14.6m of cash capital expenditure and £2.4m of accruals. This reflects investment in production capacity, capability and sustainability. The commissioning of a new can filler in Milton Keynes delivers the capability and capacity for 250ml cans and alcoholic products for the first time. We have utilised these facilities to successfully bring a proportion of FUNKIN can requirements in-house. Our multi-year production line refresh in Cumbernauld continues to plan with an upgraded PET line scheduled for commissioning by summer 2023.

Despite the return to a more typical level of capital investment, the higher inventory levels and the inclusion of the Boost Drinks acquisition, return on capital employed remains robust at 18.0%, a modest decline from 19.9% in 2021/22.

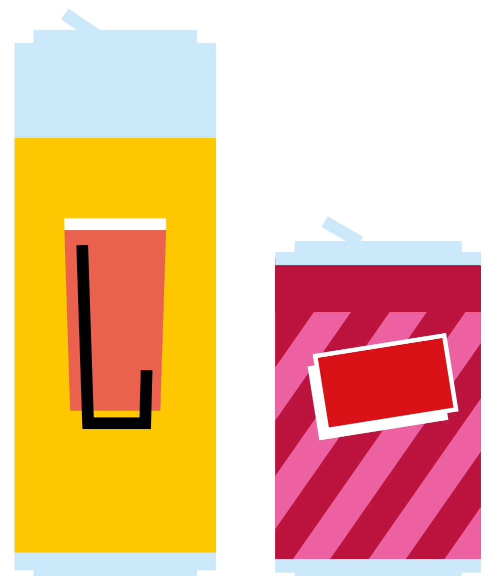
## Acquisitions

In the year ended 29 January 2023, the Group completed the early full acquisition of MOMA Foods Limited and the acquisition of Boost Drinks Holdings Limited. Both acquisitions were fully funded from Group cash reserves and the Group remains net cash positive. The primary financial implications of these acquisitions were:

### MOMA Foods Limited

The Company acquired an initial 62.8% equity stake in MOMA in December 2021. MOMA was consolidated as a fully owned subsidiary in the 2021/22 accounts, with a non-controlling interest reported in respect of the 38.2% not acquired at that time, alongside a put option liability that recognised a commitment (contingent consideration) to secure full A.G. Barr ownership by the end of financial year 2024/25.

In December 2022 the Company acquired the remaining 38.2% equity stake in MOMA. As A.G. Barr now owns a 100% equity stake in MOMA, the minority interest in the business and the put liability have been removed from the balance sheet. There has been no change in the year to goodwill or brand valuation and the removal of the contingent consideration has resulted in a net non-cash credit to the income statement of £1.6m. This release has been recognised within adjusting items as detailed in the adjusting items section above.



# **Financial review** continued

**Boost Drinks Holdings Limited**
In December 2022 the Group acquired 100% of Boost Drinks Holdings Limited for an initial consideration of £20m, on a cash-free debt-free basis. Boost will operate as a standalone business unit during a two year earn-out period. The financial reporting impact of the Boost acquisition is as follows:

- Initial acquisition consideration (£19.9m) recognised within the consolidated financial position as £16.9m of brand intangibles, £1.9m of goodwill intangibles and net assets of £1.1m
- Consolidated in Group results from December 2022
- Boost revenue recognised within 'Soft Drinks' segmental reporting
- The acquisition includes a potential additional consideration of up to £12m, contingent on the future performance of the Boost business over a two year period from completion. Any earn-out will be charged through the Group's income statement over the earn-out period and reported as an adjustment to reported profit. The financial statements ending 29 January 2023 included £0.8m in respect of this earn-out accrual.

> **Our core brand strength, our clear strategy and our engaged workforce provide a strong foundation to deliver sustainable long-term shareholder value.**

**Financial risk management**
The Group's risk management process is owned by the Board and operates at every level within the business to support the successful delivery of our strategic objectives and financial plans. The process is based on a balance of risk and opportunity, determined through assessment of the likelihood and impact of the risk and within the context of the Group's risk appetite, as established by the Board. Risks are monitored throughout the year with consideration to internal and external factors, and updates to risks and mitigation plans are made as required. The principal risks that could potentially have a significant impact on our business have not changed since the end of the financial year.

**Treasury and commodity risk management**
The treasury and commodity risks faced by the Group continue to be identified and managed by the Group Treasury and Commodity Committee whose activities are carried out in accordance with Board approved policies and subject to regular Audit and Risk Committee reviews. No transactions are entered into for speculative purposes. Key financial risks managed by this committee include exposures to foreign exchange rates and the management of the Group's debt, commodity and liquidity positions. The Group uses financial instruments to hedge against foreign currency exposures.

The Group seeks to mitigate risks in relation to the continuity of supply of key raw materials and ingredients by developing strong commercial relationships with its key suppliers. The Group manages commodity pricing risk actively and where commercially appropriate will enter into fixed price supply contracts with suppliers to reduce risk.

The Group enters into insurance arrangements to cover certain insurable risks where external insurance is considered by management to be an appropriate economic means of mitigating these risks.

As at 29 January 2023, the Group had £40m of funds held on short-term, interest earning, deposit with two relationship banks. In addition to the Group's cash position, the Group had £20m of committed and unutilised debt facilities, consisting of a revolving credit facility with our principal relationship bank. This expires in February 2026. Our funding requirements and facilities are continually reviewed to ensure they remain appropriate, providing a balance of security and optionality.

**Accounting Policies**
The Group's financial statements have been prepared in accordance with International Financial Reporting Standards and the Listing Rules of the Financial Conduct Authority.

There have been no changes to the accounting policies applied this year. All new or amended standards that are applicable have been adopted with no material impact on the results for the current and prior reporting periods.

**Pensions**
The Group continues to operate two pension plans: the A.G. Barr p.l.c. (2005) Defined Contribution Pension Scheme and the A.G. Barr p.l.c. (2008) Pension and Life Assurance Scheme. The latter is a defined benefit scheme based on final salary, which also includes a defined contribution section for pension provision to senior managers.

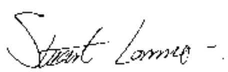
The defined benefit scheme has been closed to new entrants since 5 April 2002 and closed to future accrual for members in May 2016. Existing and new employees have been invited to join the Company-wide defined contribution scheme.

The defined benefit pension scheme triennial valuation as at April 2020 identified a £7.7m deficit on a technical provisions basis as at that date, reflecting the substantial reduction in the value of the Scheme's investments which occurred at the start of the pandemic. The Company agreed with the Pension Scheme Trustee that the ongoing deficit recovery plan of a £1.0m per annum Company contribution should continue for the next three years with the intention of eliminating the deficit over the medium-term. This plan was approved by the Pension Regulator. A deficit recovery contribution of £1.0m was made by the Company under this arrangement in May 2022. At the end of September 2022 gilt yields rose rapidly in reaction to the UK Government's mini budget. As gilt yields rose, the value of liability driven investment (LDI) assets held by many defined benefit pension schemes in the UK fell sharply. Additional cash was required in order to rebalance the Company's defined benefit pension scheme's LDI portfolio and maintain the majority of the hedging that the Scheme had in place. The Trustee took a number of actions to meet these recapitalisation calls. In support, the Company made a further payment of £1.0m to the Scheme in October 2022 as a prepayment of the deficit recovery contribution due in May 2023 and also pre-paid the Central Asset Reserve (CAR) contribution payments of £1.5m due in 2023. The next triennial actuarial valuation will be as at April 2023.

On an IAS 19 valuation basis, which is determined before the benefit of the CAR funding arrangement, the deficit of £1.0m as at 30 January 2022 improved to a surplus of £2.4m as at the balance sheet date. As noted above, 2022 was an unusually volatile year for the pension industry generally and the Group scheme was impacted by this. The A.G. Barr defined benefit scheme has a long established financial risk strategy that includes pensioner buy-in policies and asset hedging. The purpose of the strategy is to provide an element of protection against pension assumption and financial market volatility. During the year 2022/23 this strategy resulted in the scheme reporting both a significant decrease in the scheme's liabilities, driven by a large increase in discount rates, and a similarly significant decrease in the value of scheme assets due to changes in financial markets, particularly the bond market. The move from deficit to surplus is attributable to these changes and to the £4.9m (2021/22: £2.4m) Company contributions made in the year. The Company contributions comprise both agreed 2022/23 contributions of £2.4m and £2.5m of 2023/24 contributions paid in advance to support scheme liquidity.

The Group continues to work proactively with the Pension Trustee to further de-risk the pension liabilities and secure the commitments to employee benefits as part of the Group's ongoing strategic risk management.

The Group has, again, delivered a strong financial performance despite the challenging economic backdrop. This performance demonstrates the consistent delivery of our strategy and a successful blend of resilience, agility, efficiency and strong commercial execution. In an environment that remains volatile and challenging, the business has a well invested asset base backed by strong financial fundamentals and is well placed to continue to invest for the future in our brands, assets and people.



**Stuart Lorimer**
Finance Director
28 March 2023

Note: Financial metrics marked with an asterisk are non-GAAP measures. Definitions and relevant reconciliations are provided in the Glossary on pages 199 to 204.

**FINANCIAL STATEMENTS**
Can be found on pages 138 to 198

**GLOSSARY**
Can be found on pages 199 to 204

# Risk management

**"The Board is responsible for the Group's risk management and internal control systems and for reviewing their effectiveness, supported by the Audit and Risk Committee."**

**Julie A. Barr**
Company Secretary

## Risk management approach

A risk management framework is in place, which sets out the ongoing processes for the identification, assessment and management of risks, and for their ongoing monitoring and review. The Board has defined its risk appetite in a number of key areas for the business – this sets out the relative level of risk that the Group is prepared to seek or accept in the pursuit of its long-term strategic objectives. The aim is to ensure that the risks taken by the Group fall within its defined risk appetite.

Effective risk management is essential to enable us to achieve our operational and strategic objectives and deliver long-term value creation. During the reporting period we have continued to enhance our culture of risk management throughout the organisation, which will contribute towards the successful execution of the Group's long-term strategy.

## Robust risk assessment

The risk management framework sets out a systematic approach to risk management, which is designed to identify risks to the business, regardless of source. Once identified, risks are assessed according to the likelihood and impact of the risk occurring and an appropriate risk response is determined in line with the Group's risk appetite. Risks are re-assessed based on the strength of the mitigating controls implemented. The implementation of risk mitigation plans is subject to ongoing monitoring and review. A risk-scoring matrix is used to ensure that a consistent approach is taken across the business at both a corporate and functional level. This risk assessment and review process is documented in the appropriate risk register. Risks are reviewed on an ongoing basis; the Group's risk register is formally reviewed by the Risk Committee every two months and by the Board and the Audit and Risk Committee ("ARC") twice each year.

The Board carries out a robust assessment of the Group's emerging risks at least once each year using an horizon-scanning approach together with internal and external insights. The purpose of these assessments is to identify key emerging risks for further evaluation, monitoring and action planning. During the year, a new structure and processes were implemented to improve the identification and management of emerging risks for the Group, linked to the Board's strategic planning process. Standalone emerging risks and opportunities registers have been put in place for each of Barr Soft Drinks and FUNKIN; emerging risks are captured on the relevant risk register and are subject to annual review by a group comprising senior executives from across the business, including the CEO and Finance Director. Recommendations arising from that review are presented to the Board and the output therefrom informs the Group's strategy review presented to the Board each year. The Risk Committee reviews the emerging risk registers at least annually. Emerging risks remain on the relevant emerging risk register until they are captured on an appropriate risk register or are no longer deemed to be an emerging risk. The Board has completed a robust assessment of the Group's emerging risks, including those related to climate change and technology, during the period.

### Risk control assurance

Internal audit work is undertaken by an independent organisation which develops an annual internal audit plan having reviewed the Group's risk register and following discussions with the external auditors, management and members of the ARC.

During the year the ARC has reviewed reports covering the internal audit work. This has included assessment of the general control environment, identification of any control weaknesses and quantification of any associated risk, together with a review of the status of mitigating actions. The ARC has also received reports from management in relation to specific risk items, together with reports from the external auditors, who consider controls to the extent necessary to form an opinion as to the truth and fairness of the financial statements.

The Group's internal control and risk management systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable but not absolute assurance against material misstatement or loss.

The report of the ARC can be found on pages 85 to 88.

### Principal risks and uncertainties

The Board has carried out a robust, systematic assessment of the principal risks facing the Group during the period, including those which would threaten its business model, future performance, solvency, liquidity or reputation. The table below sets out the Group's principal risks as determined by the Board, the net risk ratings, the net risk movement from the prior year and examples of corresponding controls and mitigating actions. The Group's principal risks have continued to evolve during the year against the backdrop of a challenging and uncertain external environment; management has continued to focus on the implementation of appropriate mitigating actions and controls, in line with the Group's risk appetite. The principal risks set out in the table below represent the Group's current risk profile – these are not intended to be an exhaustive list of all risks facing the Group. The principal risks are prioritised on a net risk basis.

### Covid-19

As the Covid-19 crisis continued during the early part of the year, our primary concern remained the welfare of our employees, their families and the communities in which we operate. We followed Government advice at all times as a minimum throughout the Covid-19 pandemic and took action as appropriate to protect our employees and our operations. Following the relaxation of Covid-related restrictions in March 2022, we continued to take appropriate actions to minimise the impact on our business, with the health and safety of our employees remaining paramount.

**"Effective risk management is essential to enable us to achieve our operational and strategic objectives and deliver long term value creation."**

# **Risk management** continued

The net risk movement from the prior year for each principal risk is set out in the table below.

**Principal risks and uncertainties**
**Net risks relating to the Group**

Movement: – No change ^ Increased V Decreased N New

| Risk | Impact | Controls and mitigating actions | Net risk impact | Net risk likelihood | Net risk rating | Movement |
|---|---|---|---|---|---|---|
| **Government intervention on climate change and environmental issues, e.g. packaging waste** | Government intervention on climate change and environmental issues, e.g. the introduction of a Deposit Return Scheme in England or the introduction of a carbon tax, could have an adverse impact on consumer consumption patterns, sales and operating profits. | The increased pace of change and level of environmental campaigning in relation to climate change and areas such as packaging reported last year has continued during the year. We have clearly defined responsibility commitments with regard to waste, water, energy, sustainable sourcing and packaging. We continue to work constructively with the British Soft Drinks Association, the UK and Scottish governments, and other key stakeholders in relation to potential interventions, such as the planned introduction of a Deposit Return Scheme ("DRS") in Scotland and the expected introduction of a DRS in England.<br><br>Various environmental sustainability related workstreams continue to be progressed through our "**No Time To Waste**" environmental sustainability programme – further details are set out below. | **Moderate** | **High** | **High** | – |
| **Loss of product integrity** | A loss of product integrity in the manufacturing supply chain could lead to a product withdrawal or recall. | Appropriate risk assessments are carried out on a regular basis and robust quality controls and processes are in place to maintain the high quality of our products. Product recall procedures are tested regularly. | **Moderate** | **Low** | **Moderate** | – |
| **Environmental Social Governance ("ESG") risks** | An inability to meet the Group's ESG commitments could impact revenue if consumers choose to purchase and consume alternative brands, Governments impose additional taxes or the associated reputational damage makes it difficult to recruit talent. | ESG risks were classified as a new principal risk for the Group in the prior year due to the increased focus from all stakeholders (including Governments, customers, consumers, competitors, employees and investors) on ESG matters, in particular environmental sustainability.<br><br>Five environmental sustainability related workstreams continue to be progressed through our Group-wide "**No Time To Waste**" ("NTTW") environmental sustainability programme: plastic and packaging, net-zero, sustainable sourcing, water and waste. The NTTW programme reports to the NTTW Steering Group, which is responsible for setting the Group's environmental strategy, for achieving the Group's environmental targets, and for monitoring and managing the associated risks. The NTTW Steering Group is overseen by the ESG Board Committee. Further detail is provided in the Responsibility Report on pages 30 to 55. | **Moderate** | **Low** | **Moderate** | – |

Movement: – No change ^ Increased V Decreased N New

| Risk | Impact | Controls and mitigating actions | Net risk impact | Net risk likelihood | Net risk rating | Movement |
|---|---|---|---|---|---|---|
| **Changes in consumer preferences, perception or purchasing behaviour** | Consumers may decide to purchase and consume alternative brands or spend less on soft drinks. | The Group offers a broad range of branded products across a range of flavours, subcategories and markets which offer choice to the end consumer. Changing consumer attitudes and behaviours are monitored on an ongoing basis and inform our brand plans and new product development. Through investment in innovation across the year we have adapted our portfolio to align with these changing consumer needs. | **Moderate** | **Low** | **Moderate** | – |
| **Failure of critical IT systems or a breach of cyber security** | A failure of critical IT systems could result in a loss of key systems, business interruption, lost sales or lost production. A cyber security breach could lead to operational disruption, financial loss and reputational damage. | IT assets within the Group are proactively managed and procedures exist that support effective and efficient recovery. Robust business continuity plans and contingency measures are in place and are regularly tested. Appropriate processes and controls related to IT systems resilience and recovery capability are in place.<br><br>The risk of cyber attacks continues to increase on an ongoing basis, including the risk of a ransomware attack. Appropriate cyber risk monitoring controls are in place and various actions have been taken during the year to mitigate cyber security related risks and facilitate business recovery in the event of an attack. During the year, a ransomware simulation training exercise took place for the crisis management team to ensure the business is as prepared as possible in the event of an attack.<br><br>Employee awareness campaigns and training continued during the year to increase employee cyber risk awareness. A Digital Governance Group is in place, overseen by the Risk Committee, the purpose of which is to manage the risks related to the Group's externally facing digital properties. | **Moderate** | **Low** | **Moderate** | – |
| **Failure of the Group's operational infrastructure** | A catastrophic failure of the Group's major production or distribution facilities could lead to a sustained loss in capacity or capability. | Assets within the Group are proactively managed and maintained. Risk assessments are carried out on a regular basis and appropriate actions taken. Robust business continuity plans are in place and are regularly tested. The business continuity employee training programme continued during the year. | **Moderate** | **Low** | **Moderate** | – |

# **Risk management** continued

Movement: – No change Λ Increased V Decreased N New

| Risk | Impact | Controls and mitigating actions | Net risk impact | Net risk likelihood | Net risk rating | Movement |
|---|---|---|---|---|---|---|
| **Financial risks** | The Group's activities expose it to a variety of financial risks which include market risk (including medium-term movements in exchange rates, interest rate risk and commodity price risk), credit risk and liquidity risk. | Financial risks are reviewed and managed by the Treasury and Commodity Committee, which seeks to minimise adverse effects on the Group's financial performance through hedging known currency exposures throughout the year.<br>The Group's finance team reviews cash flow forecasts throughout the year, with headroom against banking covenants assessed regularly. The finance team uses external tools to assess credit limits offered to customers, manages trade receivable balances vigilantly and takes prompt action on overdue accounts. The Group's financial control environment is subject to review by both internal and external audit. Internal audit's focus is to work with and challenge management to ensure an appropriate control environment is maintained. | Moderate | Low | Moderate | – |
| **Loss of continuity of supply of major raw materials** | The loss of continuity of supply of raw material ingredients and/or packaging materials could impact our ability to manufacture, with an adverse impact on the Group's sales and operating profits. | There is a robust supplier selection process in place. Supplier performance is monitored on an ongoing basis and audits are undertaken for major suppliers. Dual sources of supply are sourced wherever possible.<br>Commodity risks are managed by the procurement team and reviewed by the Treasury and Commodity Committee. Contingency measures are in place and are tested regularly.<br>During the early part of the year we continued to work closely with key raw material suppliers in relation to the ongoing impact of Covid-19 on their businesses. | Moderate | Low | Moderate | – |
| **Inability to protect the Group's intellectual property rights** | Failure to protect the Group's intellectual property rights could result in a loss of brand value. | The Group invests considerable effort in proactively protecting its intellectual property rights, for example through trademark and design registrations and vigorous legal enforcement as and when required. | Moderate | Low | Moderate | – |

Movement: - No change ^ Increased V Decreased N New

| Risk | Impact | Controls and mitigating actions | Net risk impact | Net risk likelihood | Net risk rating | Movement |
|---|---|---|---|---|---|---|
| **Adverse publicity in relation to the soft drinks industry, the Group or its brands** | Adverse publicity in relation to the soft drinks industry, the Group or its brands could have an adverse impact on the Group's reputation, consumer consumption patterns, sales and operating profits. | Our risk management process is designed to identify and monitor events that may impact the Group as a result of adverse publicity and to ensure that controls are in place to manage these risks.<br><br>Processes are in place to ensure compliance with health and safety legislation and ethical working standards, and these are regularly reviewed by the Board and Executive Committee. Quality standards are well defined, implemented and monitored. Our environmental commitments are being progressed through our "**No Time To Waste**" environmental sustainability programme – further details are set out above. The Group maintains and develops ISO 9001 and 14001 systems and AA rated BRC standards which are subject to annual external audits, with any non-conformances addressed in a timely manner. The Company also holds ISO 45001 certification.<br><br>Nutritional information is shown on all of our Barr Soft Drinks products and we are long-standing users of the UK Government's voluntary front of pack nutritional labelling scheme.<br><br>As noted above, the Group followed Covid-related advice from the Government at all times throughout the crisis as a minimum, prior to the relaxation of Covid-related restrictions in March 2022. | **Low** | **Moderate** | **Moderate** | – |

# **Risk management** continued

Movement: – No change ^ Increased V Decreased N New

| Risk | Impact | Controls and mitigating actions | Net risk impact | Net risk likelihood | Net risk rating | Movement |
|---|---|---|---|---|---|---|
| **Failure to maintain customer relationships or take account of changing market dynamics** | Failure to maintain appropriate customer relationships or a reduction in the customer base could have an adverse impact on the Group's sales and operating profits. | The Group offers a broad range of brands that it manufactures and distributes through a variety of trade channels and customers. Performance is monitored closely by the Board and Executive Committee by trade channel and customer as appropriate. This includes monitoring of metrics which review brand equity strength, financial and operational performance.<br><br>The Group focuses on delivering high quality products and invests heavily in building brand equity. We work closely in partnership with our customers on an ongoing basis. Members of the senior management team meet with key customers throughout the year.<br><br>During the early part of the year we continued to engage with customers in relation to control measures put in place to minimise Covid-related risks for our respective employees and the wider public. | **Low** | **Moderate** | **Moderate** | – |
| **Consumer rejection of reformulated products** | Consumers may decide to purchase and consume alternative brands or spend less on soft drinks. | Our extensive innovation and reformulation programme was completed prior to the introduction of the Soft Drinks Industry Levy in April 2018. 98% of our current Barr Soft Drinks portfolio produced by volume contains less than 5g of total sugars per 100ml. Since April 2022, 98% of our Barr Soft Drinks portfolio has been exempt from the new regulations applicable to High Fat, Sugar and Salt ('HFSS') products. We recognise that the risk of consumer rejection of the enhanced sweeteners used in our reformulated products remains. We continue to closely monitor consumer acceptance levels and brand performance across our total portfolio and take appropriate mitigating actions. | **Low** | **Moderate** | **Moderate** | – |

## Viability statement

In accordance with provision 31 of the UK Corporate Governance Code 2018, the directors have assessed the viability of the Company over a three year period to January 2026, taking account of the Group's current financial and market position, future prospects and the Group's principal risks, as detailed in the Strategic Report.

The directors have determined that a three-year period is an appropriate time frame given the dynamic nature of the FMCG sector and given that this is in line with the Group's strategic planning period. The starting point for the viability assessment is the strategic and financial plan which makes assumptions relating to the economic climate, market growth, input cost inflation and growth from the Group's performance drivers. The prospects of the Group have been taken into account, including the size of the current market, the strength of the Group's brands and past production capacity investment. The model was then subject to a series of theoretical "stress test" scenarios based on the materialisation of principal risks, with input from the business functions.

The directors have considered the impact of a number of severe but plausible scenarios associated with the principal risks, including those set out in the table below.

The directors also measured the impact of a number of scenarios occurring together. Finally, a reverse "stress test" was performed allowing the Board to assess circumstances that would render its business model unviable.

As part of our Task Force on Climate-related Financial Disclosures ("TCFD") the Group has assessed potential financial impacts from climate change to the business. The financial plan for the Group includes the best estimate of the impacts of climate change on financial performance, including material cost inflation, an increase in climate-related regulatory costs, and a change to consumer behaviour. None of the physical and transition risks which are considered material to our business would present a risk to viability over the planning period. These risks are detailed on pages 47 and 48.

| Scenario | Estimated impact |
| --- | --- |
| Disruption as a result of cyber attack, resulting in factories ceasing production. | No sales for the month following attack, followed by a gradual return to normalised levels from month 5 onwards. Significant incremental one-off costs as a direct result. |
| Significant adverse damage to one of the Group's principal brands (e.g. IRN-BRU). | A sizeable reduction (in the region of 40%) in brand revenue, sustained over the duration of the viability period. |
| Significant changes in consumer preferences and governmental impact in relation to sugar, plastics and the introduction of a Deposit Return Scheme ("DRS"), specifically in Scotland. | A reduction in volumes sold (<5%) over and above current estimates as a result of the DRS, from the proposed DRS implementation date until the end of the viability period. |
| The impact of a pandemic (e.g. Covid-19), associated restrictions, and a consequent channel shift and reduction in consumer demand. | A reduction in revenue (in the region of 10%) for one year, to the extent experienced during the Covid-19 pandemic. |
| Rising costs across energy and material supplies. | Substantial cost increases suffered for the duration of the viability period, with consequential impact on pricing and volumes sold (in the region of 2% reduction). |

* Items marked with an asterisk are non-GAAP measures. Definitions and reconciliations are provided in the Glossary on pages 199 to 204.

## Credit facilities

The outputs of these scenario tests were reviewed against the Group's current and projected future net cash/debt and liquidity position. The Group closed the financial year with net cash at bank* of £52.9m. In addition, the Group had £20m of committed and unutilised debt facilities, consisting of one revolving credit facility with one bank. The revolving credit facility has two financial covenants, relating to interest cover and leverage, and a material adverse change clause.

## Result of stress tests

Under the most severe but plausible combined scenarios above, and with no cost mitigation, the Group's liquidity requirements would be satisfied within existing credit facilities. Should the financial loss be worse than this scenario assumes, sizeable cost mitigation opportunities, such as a reduction in brand investment, a reduction in capital investment, a reduction in discretionary overhead spend, reduced dividend payments, and a business reorganisation, would be available to the Group to further preserve viability.

The reverse stress test showed that a volume drop significantly beyond our severe but plausible scenarios, both in depth and duration, would be required in order to render the business model unviable. These circumstances are therefore considered implausible.

The results of these tests were reviewed taking into account the Group's current position, the Group's experience of managing adverse conditions in the past and mitigating actions available to the Group. Based on this assessment, the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period to January 2026.

The Strategic Report set out on pages 1 to 69 of this annual report has been approved by the Board.

By order of the Board

**Julie A. Barr**
Company Secretary
28 March 2023

# Board of Directors

## Mark Allen OBE
L.L.B. (Hons)

Chair

**Biography**

Mark's early career in the police force sparked an interest in law. After completing a law degree Mark held a variety of corporate roles, initially with Shell and latterly with Dairy Crest where he was CEO from 2007 to 2019. Mark has held non-executive roles at Howdens, Dairy UK, Warburtons and Norcros plc, where he was Chair from July 2020 until April 2021.

Mark brings a deep understanding of consumer goods as well as significant public company experience.

**Term of Office**

Joined the Company in July 2021 as a Non-Executive Director. Appointed Chair in March 2022.

**External Appointments**

Non-Executive Chair of Halo Foods Ltd.

**Committee Membership**

Nomination Committee (Chair).

## Roger A. White
M.A. (Hons)

Chief Executive

**Biography**

Roger is a member of the Board of Management and Executive Council and is a past President of the British Soft Drinks Association. Previously held numerous senior positions in food group Rank Hovis McDougall. Scottish plc Chief Executive of the year in 2010. Honorary Doctorate from the University of Edinburgh in 2014.

Roger brings a wealth of consumer goods experience and corporate leadership.

**Term of Office**

Joined the Company in 2002 as Managing Director. Appointed Chief Executive in 2004.

**External Appointments**

Non-Executive Director of Troy Income & Growth Trust, Non-Executive Director of William Jackson Food Group Limited, Director of Elegantly Spirited Limited.

**Committee Membership**

Environmental, Social and Governance Committee.

## Stuart Lorimer
BAcc. (Hons), C.A., M.C.T.

Finance Director

**Biography**

Stuart was with Diageo for 22 years in a range of roles and countries, ultimately as the FD for Diageo's Global Supply Operation.

Stuart brings significant experience in FMCG in both alcoholic and soft drinks sectors and a strong background in governance and performance management as a qualified CA and FD.

**Term of Office**

Joined the Company as Finance Director in January 2015.

**External Appointments**

Non Executive Director of Carr's Group plc.

## Jonathan D. Kemp
B.A. (Hons)

Commercial Director

**Biography**

Jonathan has had a successful career in various commercial roles within Procter and Gamble.

Jonathan brings FMCG specialism in customer business development, consumer brand building and commercial proposition optimisation.

**Term of Office**

Joined the Company in 2003 as Commercial Director.

**External Appointments**

None.

## W. Robin G. Barr
C.A.

Non-Executive Director

**Biography**

Robin is a past President of the British Soft Drinks Association. Robin brings financial skills and an extensive understanding of UK markets to the Board.

As Executive Chair from 1978 to 2009 Robin brings a historical background to discussions to the Board. He is a qualified accountant and a Trustee of the Company's pension scheme.

**Term of Office**

Joined the Company in 1960. Appointed Director in 1964 and Chair in 1978. Retired as Chair and appointed Non-Executive Director in 2009.

**External Appointments**

None.

**Committee Membership**

Nomination Committee.

**David J. Ritchie**
B.A. (Hons), A.C.A.
Non-Executive Director

**Susan V. Barratt**
B.A. (Hons), A.C.A.
Senior Non-Executive Director

**Nicholas B. E. Wharton**
A.C.A.
Non-Executive Director

**Zoe Howorth**
B.A. (Hons)
Non-Executive Director

**Julie A. Barr**
M.A. (Hons), L.L.B. (Dip), M.B.A. (Int.)
Company Secretary

### Biography

David is a qualified Chartered Accountant and former Chief Executive of Bovis Homes Group plc (Bovis). He joined Bovis in 1998 from KPMG as Group Financial Controller, becoming Group Finance Director in 2002 and Chief Executive in 2008.

David brings significant operational experience and governance knowledge from his 15 years leading a listed FTSE250 company, plus strong financial oversight through his 30 years as a financial professional.

Susan is a Chartered Accountant and spent the early part of her career in senior finance roles at Geest plc, Whitbread plc and Laurel Pub Company. Subsequently Susan has been CEO at Eldridge Pope plc, Natures Way Foods Limited and is currently CEO of IGD, a not-for-profit organisation that sits at the heart of the food industry. Susan has also been Non-Executive Chair of Higgidy Limited.

Susan brings considerable operational and commercial experience and knowledge of the FMCG industry.

Nick is a qualified Chartered Accountant and has held senior executive roles across retail and FMCG businesses. He was formerly CFO of listed retailers Pepco NV, Superdry plc and Halfords Group plc and CEO of Dunelm plc. He is a Non-Executive Director and Chair of the Audit Committee of the Swedish multinational personal care business Oriflame Investment Holding plc, having previously held similar roles at Mothercare plc.

Nick brings extensive finance and retail experience both in the UK and internationally and substantial plc and governance experience from executive and non-executive roles on listed company boards.

An economics graduate, Zoe has had a successful career spanning a range of roles at Procter and Gamble, United Biscuits and The Coca-Cola Company where she spent 16 years, culminating in her role as UK Marketing Director from 2010 – 2013. Zoe has also held a number of non-executive director roles with private companies.

Zoe brings extensive FMCG experience, specifically across the food and beverage sector, as well as consumer brand marketing capability and direct to consumer digital understanding.

Julie is a qualified lawyer with a background in corporate law. In addition to being Company Secretary, she heads up the Group's risk and legal teams and sits on the Executive Committee. She is also a Trustee of the Company's pension scheme.

If elected, Julie will replace her father Robin Barr as a non-executive director. Julie will step down as Company Secretary but otherwise will continue as an employee of the Company in her current role. For the purposes of the UK Corporate Governance Code, Julie Barr is not independent.

### Term of Office

Joined the Company in April 2015 as a Non-Executive Director.

Joined the Company in January 2018 as a Non-Executive Director.

Joined the Company in November 2018 as a Non-Executive Director.

Joined the Company in July 2021 as a Non-Executive Director.

Joined the Company in 2004. Appointed Company Secretary in 2008.

### External Appointments

CEO of WElink Homes UK, Chair of Aspire LPP Limited.

CEO of The Institute of Grocery Distribution, Non-Executive Director of Edward Billington and Son Limited.

Non-Executive Director of Oriflame Investment Holding plc.

Non-Executive Director of Water Babies International, Non-Executive Director of International Schools Partnership Limited.

Non-Executive Director of Gabriel Precision Oncology Limited.

### Committee Membership

Audit and Risk Committee
Nomination Committee
Remuneration Committee (Chair).

Audit and Risk Committee
Nomination Committee
Remuneration Committee
Environmental, Social and Governance Committee.

Audit and Risk Committee (Chair)
Nomination Committee.

Remuneration Committee
Environmental, Social and Governance Committee (Chair).

Environmental, Social and Governance Committee.

# Corporate Governance Report
## Chair's introduction

**I am pleased to present our Corporate Governance Report for the year ended 29 January 2023**

**Dear Shareholder,**
This year's Corporate Governance Report describes our approach to governance and sets out how the principles of the 2018 UK Corporate Governance Code have been applied during the year. Information about the operation of the Board and its committees, our engagement with stakeholders, and an overview of the Company's system of internal controls are also included.

Having completed nine years as a non-executive director of the Company, seven of which were as Chair of the Board, John Nicolson stood down from the Board at the end of March 2022. I would like to thank John for his valuable contribution to the business over those nine years and in particular for his guidance and leadership during his tenure as Chair. Otherwise there were no changes to the Board during the year.

Further details of the Board's composition are given on pages 70 and 71.

**Mark Allen OBE**
Chair
28 March 2023

### The Board
The Company is led by a strong and experienced board of directors (the "Board") which brings a depth and diversity of expertise to the leadership of the Company. The Board is committed to ensuring that it has an appropriate balance of skills, experience and knowledge of the Group to enable it to discharge its duties and responsibilities effectively. The Nomination Committee report set out below describes how the Board achieves that aim. The Board currently has nine members, comprising three executive directors, the non-executive Chair, four independent non-executive directors and one non-independent non-executive director. Biographical details of the directors are set out on pages 70 and 71.

The roles of Chair and Chief Executive are separate and there is a clear division of responsibilities between those roles. The Chair leads the Board and ensures the effective engagement and contribution of all non-executive and executive directors. The Chair facilitates constructive Board relations and ensures that Board meetings are underpinned by a culture of openness and challenge, with sufficient time made available to debate issues arising. The Chair ensures that the Board receive accurate, timely and clear information. The annual Board performance evaluation referred to below evaluates the Chair's performance in these areas. The Chief Executive has responsibility for all Group businesses and acts in accordance with the authority delegated from the Board. The non-executive directors support the development of the Group's strategy and provide constructive challenge to the executive directors. S.V. Barratt fulfilled the role of senior independent director during the year to 29 January 2023 and is available to shareholders if they have concerns which have not been resolved via the normal channels of Chair, Chief Executive, or the other executive directors, or where communication through such channels would be inappropriate.

The Board considers that S.V. Barratt, Z.L. Howorth, D.J. Ritchie and N.B.E. Wharton are independent for the purposes of provision 10 of the 2018 UK Corporate Governance Code, issued by the Financial Reporting Council in July 2018 (the "Code"), and that the relationships and circumstances set out in that provision which may appear relevant to the determination of independence do not apply. The Board considers that M. Allen OBE was independent for the purposes of the Code prior to being appointed as Chair of the Board on 31 March 2022. The Board considers that, on appointment, the Chair was independent for the purposes of provision 9 of the Code. M. Allen does not hold any significant appointments in addition to his role as Chair of the Company.

The Company's Articles of Association provide that the Company may by ordinary resolution appoint any person who is willing to act to be a director, either to fill a vacancy or as an addition to the existing Board. W.R.G. Barr will retire from the Board at the Annual General Meeting ("AGM") and J.A. Barr will offer herself for election at the AGM. The Articles of Association require directors to retire and submit themselves for election at the first annual general meeting following appointment and to retire no later than the third annual general meeting after the annual general meeting at which they were last elected or re-elected. However, in order to comply with the Code, all directors other than W.R.G. Barr will submit themselves for re-election at the AGM. J.A. Barr will offer herself for election at the AGM. Biographical details of the Board and J.A. Barr as a proposed director are set out on pages 70 and 71 of this report.

Details of directors' remuneration and interests in shares of the Company are given in the Directors' Remuneration Report on pages 89 to 106.

## Role of the Board

The Board is responsible for the long-term success of the Group, determines the strategic direction of the Group and reviews operating, financial and risk performance. There is a formal schedule of matters reserved for the Board, which is subject to annual review and includes approval of the following:

- the Group's annual business plan;
- the Group's strategy, acquisitions, disposals and capital expenditure projects above certain thresholds;
- the financial statements;
- the Group's tax strategy;
- the Group's diversity and inclusion policy for the Board and Executive Committee;
- the Company's dividend policy;
- transactions involving the issue or purchase of Company shares;
- borrowing powers;
- appointments to the Board;
- alterations to the Memorandum and Articles of Association;
- legal actions brought by or against the Group above certain thresholds; and
- the scope of delegations to Board committees, subsidiary boards and the Executive Committee.

The Board is also responsible for the Group's ESG strategy. Responsibility for the development of policy, strategy and operational management is delegated to the executive directors and an Executive Committee, which as at the date of this report includes the executive directors and six senior managers.

The Board's governance supports the delivery of its strategy to deliver long-term sustainable value through:

- Leadership: the Board is collectively responsible for the long-term sustainable success of the Company. The composition of the Board and an explanation of their skills, experience and contribution are set out on pages 70 and 71. Further information on the Board's leadership, its division of responsibilities and the role of the non-executive directors in providing constructive challenge and supporting the development of strategy is set out above. The Board approves the Group's strategy and annual budget, reviews subsequent progress and makes decisions related to matters reserved for the Board in order to support the delivery of its strategy.
- Effectiveness: the Board's governance framework ensures the effectiveness of the Board. Please see below for information on induction, training and development for directors and the Board performance evaluation.
- Accountability: the Audit and Risk Committee Report (pages 85 to 88) and the report on Risk Management (pages 62 to 69) describe how the Board ensures a fair, balanced and understandable assessment of the Company's performance and prospects and how it assesses its principal risks. The Audit and Risk Committee Report sets out how the Company maintains an appropriate relationship with its external auditor, consistent with the Code and statutory requirements.
- Remuneration: the Directors' Remuneration Policy (pages 107 to 121) and detailed remuneration report (pages 89 to 106) describe how the Remuneration Committee ensures that the executive directors' remuneration is designed to promote the long-term success of the Company.
- Shareholder relations and engagement: the section 172(1) statement set out below describes how the Company engages with shareholders.

# **Corporate Governance Report** continued

## Section 172(1) statement

### Stakeholder engagement

Effective engagement with our key stakeholders is critical to the long-term success of the Company. Understanding the perspectives of our stakeholders and building good relationships enables their views to be taken into account in Board and Committee discussions and decision-making. The Board will continue to focus on enhancing its engagement with key stakeholders. Our key stakeholders that the Board considers to be relevant to the business model, strategy and Company success are set out in the table below, together with how we engaged with them during the year, and the impact of that engagement on the Company's strategy and the principal decisions taken during the year. Further information on how we engage with our key stakeholders is set out in the Strategic Report on pages 1 to 69 and in the Directors' Report on pages 122 to 127.

| Key Stakeholder | Form of Engagement | How This Stakeholder Group Influenced Board/Committee Discussions and Decisions |
|---|---|---|
| **Shareholders** | We have regular discussions with, and briefings for, investors. The Company endeavours to ensure senior management is available to interact with existing and potential shareholders on as flexible a basis as possible. The Chief Executive and Finance Director offer meetings to institutional shareholders twice annually as a minimum in order to communicate business updates and to develop an understanding of their views on performance against strategy, Environmental, Social and Governance ('ESG') related matters, and other matters of interest. All directors have the opportunity to attend these meetings.<br><br>Board committee chairs seek engagement with shareholders on significant matters related to their areas of responsibility.<br><br>The Chair ensures at each Board meeting that the Board as a whole has a clear understanding of the views of shareholders.<br><br>Following the relaxation of Covid-related government restrictions, shareholders were invited to attend the 2022 AGM in person. All shareholders, including private investors, had the opportunity to submit questions in advance of the AGM and to participate in questions and answers with the Board at the AGM on matters relating to the Company's operation and performance.<br><br>The Board assesses the effectiveness of engagement with the investment community through measurement of the number of analysts following the Company and the number of meetings held with investors and analysts. | The Chief Executive and Finance Director brief the Board on discussions with investors and institutional shareholders. Independent feedback following key meetings is coordinated and provided to the Board by the Company's brokers and financial PR agencies on a regular basis.<br><br>Board members listen and respond to the views of investors and institutional shareholders and feedback to the business as necessary. Following the temporary suspension of dividend payments in 2020 and their subsequent resumption during 2021, with the payment of an interim dividend and a one-off special dividend in October 2021, engagement with and feedback from major shareholders and the investment community took place at investor roadshows held following the release of the Company's full year results for the year to January 2022, to ensure they were supportive of the Board's plans to recommend a final dividend in respect of that year to shareholders. A final dividend for the year to January 2022 was subsequently approved by shareholders at the Company's Annual General Meeting held on 27 May 2022 ('2022 AGM') and paid in June 2022.<br><br>We engaged with key shareholders during the year in relation to various ESG related matters. Feedback from our major shareholders and investor base on their key ESG challenges influenced the ongoing agenda and operation of the Board's ESG Committee and reaffirmed the Board's commitment to be net-zero across our own operations by 2035 and across our full supply chain by 2050, if not sooner. These decisions were taken by the Board with the aim of promoting the success of the Company for its shareholders in the long term.<br><br>During the year, we engaged with key shareholders regarding the Company's capital allocation strategy. In line with this strategy, the Board took the key capital asset investment decision during the year to approve the initial phases of a multi-year asset replacement programme to replace PET and can line assets at the Cumbernauld factory. The new factory layout will optimise employee safety, efficiency and material flows. The project will also deliver ESG benefits in terms of providing PET lightweighting opportunities via the move to market-leading 26/22 neck and cap dimensions, and the introduction of tethered cap capability. The project was evaluated on a suite of financial metrics designed to drive shareholder return over the long term. |

| Key Stakeholder | Form of Engagement | How This Stakeholder Group Influenced Board/Committee Discussions and Decisions |
|---|---|---|
| **Shareholders** continued | | During the year, the Board received regular updates on the Company's planning activity in relation to the introduction of a Deposit Return Scheme ('DRS') in Scotland. The Board discussed and approved a contract with Circularity Scotland Limited ('CSL'), the not-for-profit organisation approved to discharge industry's Scottish DRS legal obligations, the purpose of which was to provide CSL with the right to receive further funding under certain circumstances to support the costs of the Scotland DRS administration during its first year of operation. This will help to ensure the successful operation of the DRS in Scotland and Company compliance with the DRS regulations for the long term benefit of shareholders.<br><br>During the year, the Board took the key decisions to approve the acquisition of Boost Drinks Holdings Limited and the acquisition of the remaining minority (38.2%) equity stake in MOMA Foods Limited. Both of these acquisitions demonstrate the Company's commitment to its growth strategy, focused on developing its portfolio in high growth and functional categories for the long term benefit of shareholders.<br><br>During the year, the Chair of the Remuneration Committee wrote to all major shareholders who had voted against the resolution to approve the Directors' Remuneration Report put to shareholders at the 2022 AGM seeking feedback regarding why they were unable to support the resolution and to understand their views. The primary concern raised by the two shareholders who provided feedback in response to this letter related to the structure and performance targets for the 2021 long-term incentive arrangements – these were specific to the exceptional circumstances caused by the Covid-19 pandemic and it is unlikely that they will be repeated. Shareholder feedback from major shareholders and the investor base influenced the performance metrics agreed for the directors' annual bonus for the year to January 2023 and the 2022 LTIP awards.<br><br>During the year, the Chair of the Remuneration Committee also wrote to and engaged with shareholders representing c.70% of the issued share capital of the Company seeking their feedback on the Remuneration Committee's proposals for the new Directors' Remuneration Policy that will be brought for shareholder approval at the AGM in May 2023. Feedback from these shareholders informed the final proposed Directors' Remuneration Policy.<br><br>The Company will continue to engage with its shareholders on executive directors' remuneration going forwards. |

# **Corporate Governance Report** continued

| Key Stakeholder | Form of Engagement | How This Stakeholder Group Influenced Board/Committee Discussions and Decisions |
|---|---|---|
| **Customers** | We have regular engagement with our customers through virtual or face-to-face meetings, conferences and events. Regular reviews of joint business plans take place to ensure that we are aligned on our shared goals.<br><br>During the early part of the year we continued to engage with customers in relation to control measures put in place to minimise Covid-related risks for our respective employees and the wider public.<br><br>During the year we engaged with customers in relation to key product launches. We also continued to engage with customers on their views and attitudes towards plastic packaging and the planned DRS in Scotland.<br><br>During the year, we engaged with our customers in relation to a planned price increase, with the aim of mitigating the impact of significant inflationary cost pressures on the business. | The Commercial Director provides a commercial update to every Board meeting. A formal review of customers and channels is presented to and discussed by the Board annually.<br><br>Information on customer service levels, including performance against a customer service level KPI, is included in the Board papers for every meeting. We have worked hard during the year to maintain good customer service levels despite significant supply chain challenges, and also raw material and driver shortages. The Board also received updates regarding customers' data on their respective suppliers' performance, which indicated a good customer service performance from the Company compared to many other suppliers.<br><br>Discussions with customers regarding Covid-related risks and controls influenced the Board's discussions and support for the Covid Steering Group's decisions during the early part of the year regarding the health and safety of our employees.<br><br>During the early part of the year, the Board discussed updates provided to it regarding the impact of Covid-19 on different customer channels, customer investment plans and customer management strategy.<br><br>Feedback from key customers regarding their ESG concerns and commitments influenced the Board's discussions during the year. For example, customer feedback in relation to plastic packaging and their desire to reduce the use of and increase the recyclability of plastics used in product packaging influenced the Board's key decision to support the move to increase the recycled PET content of our IRN-BRU and Rubicon 500ml plastic bottles to 100% rPET – see further below. Customer feedback also influenced the Board's key decision to continue to support the Group's environmental sustainability strategy, which is being delivered through the 'No Time To Waste' programme of activity, including the delivery of a number of initiatives under the plastics and packaging workstream, for example the move to 100% recycled film and various plastic lightweighting initiatives.<br><br>Customer feedback also influenced the Board's key decision to approve the initial phases of a multi-year asset replacement programme to replace PET and can line assets at the Cumbernauld factory, which will deliver ESG benefits in terms of providing PET lightweighting opportunities and the introduction of tethered cap capability, as noted above.<br><br>Consideration of the changing requirements of the Company's impulse customers influenced the Board's key decision to invest in a new single customer management system with significantly enhanced capability, which will deliver growth in our impulse business through digital transformation; 'Winning in Impulse' is a core foundation of the Company's business growth strategy.<br><br>Engagement with key customers during the year influenced the Board's discussions and decisions regarding the annual budgeting and long-term strategic planning processes for the Group. |

| Key Stakeholder | Form of Engagement | How This Stakeholder Group Influenced Board/Committee Discussions and Decisions |
| --- | --- | --- |
| **Consumers** | We are committed to engaging with our consumers through a variety of channels regarding any questions, concerns or feedback which they may have. Our consumer care team aims to respond efficiently and effectively to all matters raised by consumers, whether by email, telephone, social media or post.<br><br>Consumer research is conducted prior to the launch of key products and in relation to key marketing campaigns, as appropriate.<br><br>The Board gains insight into consumer needs, behaviours and motivations through regular detailed brand reviews at Board meetings throughout the year. The Board also reviews market and consumer insight data at every Board meeting. The Board receives presentations from senior members of management on consumer trends, brands and key marketing initiatives. | The Commercial Director provides a marketing update to every Board meeting. A formal review of brands and innovation is presented to and discussed by the Board annually.<br><br>A structured research programme of consumer usage and attitudes is carried out on a regular basis, which informs the Board's risk review process and its discussions regarding its appetite for risks and opportunities in this area. During the year, qualitative consumer research was carried out across different focus groups; the results of this research informed certain key brand plans for the following year.<br><br>During the year the Board received presentations on the performance of key brands, innovation and marketing campaigns. The Board discussed and were supportive of the brand and innovation strategy and key brand plans for the following year.<br><br>Research to understand consumers' attitudes and behaviours towards environmental sustainability influenced the Board's key decision to approve the initial phases of a multi-year asset replacement programme to replace PET and can line assets at the Cumbernauld factory, which will deliver ESG benefits in terms of providing PET lightweighting opportunities and the introduction of tethered cap capability, as noted above. Consumer feedback also influenced the Board's key decision to continue to support the Group's environmental sustainability strategy, which is being delivered through the 'No Time To Waste' programme of activity, including the delivery of a number of initiatives under the plastics and packaging workstream, as noted above. |
| **Suppliers** | We ensure that we source raw materials in a responsible manner and require our suppliers to commit to our Supplier Code of Conduct and to comply with the provisions of our Modern Slavery Statement and Anti-bribery and Corruption Policy.<br><br>We seek to mitigate risks in relation to the continuity of supply of key raw materials and ingredients by developing strong commercial relationships with our key suppliers.<br><br>We have regular engagement with our suppliers through virtual and face-to-face meetings, conferences and events.<br><br>During the early part of the year we continued to engage with key raw material suppliers in relation to the impact of Covid-19 on their businesses in light of ongoing supply chain challenges. We also continued to engage with third party contractors regarding visits to Company sites, to ensure that only essential activities were undertaken and that appropriate control measures were in place to minimise Covid-related risks for our respective employees and the wider public. | Updates on supply chain activities, including key suppliers, are provided to every Board meeting and are considered and discussed by the meeting. A review of supply chain strategy, including procurement, is presented to and discussed by the Board annually.<br><br>The Board approves all key supplier contracts above certain thresholds in accordance with the Company's Statement of Delegated Authorities.<br><br>During the year, the Company's net-zero science-based targets were approved by the Science Based Target Initiative. We have continued to work closely with our suppliers in relation to our commitment to become net-zero across our own operations by 2035 and across our full supply chain by 2050, if not sooner.<br><br>During the year, the Board supported the move to 100% rPET for IRN-BRU and Rubicon 500ml, which was delivered in April 2022. Due to concerns raised by key suppliers regarding the quality and security of supply of rPET, the Board took the key decision to pause progress on the rPET programme for the remainder of the portfolio until such time as higher quality material is available, anticipated to be following the introduction of a DRS in Scotland.<br><br>During the year, the Board reviewed and approved the Group's Modern Slavery Statement, cognisant of the need to ensure that adequate processes are in place to prevent modern slavery in the Group's supply chain and to maintain its reputation for high standards of business conduct. |

# **Corporate Governance Report** continued

| Key Stakeholder | Form of Engagement | How This Stakeholder Group Influenced Board/Committee Discussions and Decisions |
|---|---|---|
| **Suppliers** continued | During the year we engaged with key suppliers on matters related to climate change, including innovation in sustainable packaging.<br><br>The Company complies with the Prompt Payment Code guidelines, paying in excess of 90% of its supplier invoices on time.<br><br>Monthly cross-functional supplier performance scoring is conducted; the results are shared with suppliers and discussed at review meetings. Regular review meetings are held with key suppliers to review various KPIs, including performance, risk management and ESG objectives. An annual cross-functional supplier review meeting is held which informs our sourcing strategy for the following year. Quarterly credit checks are carried out on suppliers to assess their financial health. | Engagement with key suppliers during the year informed the Board's discussions and decisions regarding the annual budgeting and long-term strategic planning processes for the Group. |
| **Employees** | The Group is committed to engaging employees at all levels regarding matters which affect them and the performance of the Group. This is achieved in a number of ways, including the use of regular briefing procedures, which twice yearly include a report on trading results. Regular communication meetings, including "town halls", are held to keep employees up-to-date with Group performance. Leadership team "hangouts" take place on a monthly basis to keep this group updated and to provide the opportunity for them to ask questions on business related matters. Consultation meetings also take place when the Company is making decisions that are likely to affect employees' interests, at which employee representatives' views are taken into account. The Group's intranet site provides up-to-date information regarding the Group's activities. In addition, an employee engagement survey "Your Voice Matters" is carried out on an annual basis, which seeks feedback from all employees on a range of areas; action plans are created in response to the results of each survey. Employees' opinions are sought on various specific topics throughout the year.<br><br>In addition to the Company's existing employee engagement mechanisms, and as required by the UK Corporate Governance Code, during the year the Nomination Committee reviewed and approved the Board's current mechanism for workforce engagement, being a designated non-executive director, as an appropriate mechanism for workforce engagement. Z.L. Howorth was the designated workforce engagement director during the year. | The continued appointment of a designated non-executive director as a mechanism for workforce engagement strengthens the link between employees and the Board, helps to build an open and transparent culture and to ensure that all employees have a voice in the Company's future success. It also helps the Board to make better informed decisions based on the broad perspectives of the workforce. Updates on progress regarding workforce engagement are provided at Board meetings throughout the year. It was reported that, overall, the good level of workforce engagement had continued during the year and feedback from the employee engagement sessions was generally positive, with a high level of employee engagement and commitment to the business. Discussion areas during these sessions included the ongoing impact of Covid-19 on the business and employees' health and safety and mental wellbeing in the early part of the year, hybrid working arrangements, health and safety generally, employee communications, employee pay and benefits, how executive remuneration aligns with wider Company pay policy, Company purpose and leadership development. The Board discussed the updates provided to it by the workforce engagement director throughout the year and were supportive of the Covid Steering Group's decisions during the early part of the year regarding the health and safety of our employees.<br><br>The Board regularly reviews various employee metrics throughout the year, including turnover and absenteeism data.<br><br>The results of the "Your Voice Matters" employee engagement survey carried out during the year were presented to and discussed by the Board. The results of the survey were generally positive, with a high employee response rate and overall employee engagement score; the continued strong results in the area of health and safety and the improvement in the area of diversity, equality and inclusion year-on-year were particularly pleasing. The Board were supportive of local action planning activities which would take place in response to the results of the survey. |

| Key Stakeholder | Form of Engagement | How This Stakeholder Group Influenced Board/Committee Discussions and Decisions |
|---|---|---|
| **Employees** continued | A structured plan for workforce engagement is developed for each year. During the year, this included face-to-face engagement sessions held by Z.L. Howorth – supported by the Chair and certain other non-executive directors – for employees of different roles and levels across different Company sites, the aim of which was to encourage participation across the workforce in order to understand their views on matters which affect them.<br><br>During the early part of the year the high level of engagement with employees regarding Covid-related matters continued, through regular communications and briefings and via the Coronavirus portal on the intranet. The process continued to be led by the Covid Steering Group, which met weekly until May 2022 with the aim of managing the crisis as effectively as possible, with the health and safety of employees being paramount. The implementation of Covid-related processes and procedures continued in accordance with the government's guidance as a minimum, with regular communication to employees. A Mental Health Hub was available on the intranet and various other mental health activities took place to continue to help support employees through the crisis. Guidance and support was also provided by the corporate charity chosen by employees, Mental Health UK.<br><br>The Company has a Speaking Up Policy in place, which complies with the 2018 UK Corporate Governance Code, together with associated procedures, including employee awareness and training, to ensure that employees are encouraged to raise any matters of concern in a timely manner. The Speaking Up Policy is communicated to all employees through a variety of channels. A designated email address is available to employees to enable them to raise any matters of concern. A communications campaign continued during the year to help raise employee awareness of the Speaking Up Policy and to encourage employees to come forward if they want to raise any matters of concern.<br><br>The Board assesses the effectiveness of engagement with employees through a number of metrics, including the results of the "Your Voice Matters" employee engagement survey, turnover and absenteeism data, exit interview data and employee 'speaking up' data. | During the year the Board received feedback from the workforce engagement director and from employees through the "Your Voice Matters" employee engagement survey regarding hybrid working arrangements for office workers and noted employees' desire for flexible working arrangements, and were supportive of the key decision to implement and maintain a structured return to work programme following the relaxation of Covid-related restrictions.<br><br>In response to employee concerns and feedback on the negative impact of the cost of living crisis on their health and wellbeing, and in light of the challenging external economic environment, the Board made the key decisions to support a one-off cost of living payment to all Group employees with a basic salary below a certain level in August 2022 and a further lump sum payment to all employees except the most senior level of management in January 2023. These payments were well received by employees.<br><br>Employee focus groups were held during the year with a cross-section of employees to seek their feedback on refreshing Barr Soft Drinks' purpose, to ensure it is fit for purpose in the context of a changing workforce.<br><br>During the year, an employee consultation process in relation to the proposed closure of the Barr Direct England Depot at Newcastle concluded; employees' feedback from this consultation process directly influenced the Board's discussions and decision to close the site from the end of April 2022.<br><br>During the year, the Board reviewed and approved the Company's Workforce Engagement Terms of Reference.<br><br>During the year, the Board reviewed employee 'speaking up' data and reviewed and approved the Company's Speaking Up Policy and associated procedures.<br><br>The Board held two sessions on people and succession planning during the year. |

# **Corporate Governance Report** continued

| Key Stakeholder | Form of Engagement | How This Stakeholder Group Influenced Board/Committee Discussions and Decisions |
|---|---|---|
| **Government** | We engage with governments and political bodies in an open and constructive manner on issues which affect our business, both directly and through relevant trade associations such as the British Soft Drinks Association ("BSDA").<br><br>During the year much of our government engagement continued to be related to the introduction of a DRS in Scotland and has been carried out in conjunction with the BSDA and Circularity Scotland Limited. We have taken steps to communicate our position on key implementation matters to ensure our views were understood and where possible taken into account in decision-making. | Updates on engagement with UK and devolved governments and political bodies were provided to the Board by the Chief Executive throughout the year and influenced its discussions. This engagement also shaped internal activity in relation to these areas during the year.<br><br>Our insights and understanding from engagement with UK and devolved governments and political bodies during the year informed the Board's discussions and decisions regarding the annual budgeting and long-term strategic planning processes for the Group.<br><br>Reviews of the regulatory framework under which the Group operates are presented to the Board on a regular basis and inform the Board's discussions and decisions regarding capital expenditure and areas of business development.<br><br>The Board discussed and supported our internal project planning for the introduction of a DRS in Scotland and progress against our net-zero plans – this work was informed by our engagement with the Scottish government during the year. |

### Corporate culture and reputation

The Board and the Executive Committee have a critical role in creating and embedding the right corporate culture for the business. The Board aims to maintain the Company's reputation for the highest standards of business conduct and to create a culture that is responsible, diverse and inclusive. The Company's workforce is critical to its future success. The Company's focus on employee engagement will continue in order to create a culture that enables and supports a highly motivated and diverse workforce, to ensure that its workforce do the right thing for its stakeholders and deliver long-term sustainable success for the business. During the early part of the year activities continued in response to the ongoing Covid-19 pandemic to ensure that this culture was maintained, as described in the table above.

The Board regularly assesses and monitors the Company's culture and, where appropriate, seeks assurance from management that it has taken corrective action to ensure that policy, practices and behaviour throughout the business are aligned with the Company's purpose, values and strategy. The Board achieves this primarily through reviewing feedback from employees from the annual employee engagement survey "Your Voice Matters", and ensuring that appropriate actions are taken to address the findings thereof. The results of the employee engagement survey undertaken during the year showed a high employee response rate and overall employee engagement score. The Board were supportive of the local action planning activities which would take place in response to the results of the survey. The Board also receives regular updates on workforce engagement from the Board's designated non-executive director which helps it to assess and monitor the Company's culture. The Board regularly reviews certain health and safety KPIs, including the number of lost time accidents during the year and performance against the Group's lost time accident incident rate target. During the year, the Board reviewed the overall health and safety performance of the Group, including the results from the latest Keil Centre health and safety culture maturity assessments, which showed improvements in the health and safety culture across Supply Chain compared to three years ago; the Board were supportive of the local action planning activities which would take place in response to the results of the survey. The Board also noted the positive results from an internal health and safety culture survey completed by the Commercial and Central functions during the year. The Board regularly reviews employee turnover and absence data, and were supportive of an action plan presented in August to engage employees and reduce turnover. The Board also assesses and monitors the Company's culture through its annual review of the Group's Speaking Up policy, procedures and any concerns raised; during the year the Board were satisfied that the procedures in place were working effectively and reapproved the Company's Speaking Up policy. Further information on the Company's culture and workforce engagement is included in the table above and in the Directors' Report on pages 122 to 127 and in the Strategic Report on pages 1 to 69.

### Community and environment

Information regarding the impact of the Company's operations on the community and the environment is included in the Responsibility Report on pages 30 to 55.

### Acting fairly as between members of the Company

The Board recognises its legal and regulatory duties to act fairly as between members of the Company and has put appropriate structures and processes in place to ensure it complies with all relevant legal requirements, for example in relation to the disclosure of inside information to shareholders.

### Conflicts of interest

The Articles of Association allow the Board to authorise potential conflicts of interest that may arise from time to time, subject to certain conditions. The Company has established appropriate conflicts authorisation procedures, whereby actual or potential conflicts are regularly reviewed and authorisations sought as appropriate. During the year, no such conflicts arose and no such authorisations were sought.

### Professional advice

All directors have access to the advice of the Company Secretary, who is responsible for advising the Board on all governance matters. The non-executive directors have access to senior management of the business.

### Induction, training and development

On appointment to the Board, directors are provided with a full, formal and tailored programme of induction, to familiarise them with the Group's businesses, the risks and strategic challenges the Group faces, and the economic, competitive, legal and regulatory environment in which the Group operates. The induction includes, amongst other activities, meetings with Board members, the Company Secretary, senior management and other employees, site visits, market visits and the provision of information relating to the Group, including briefings on key business activities. The Company Secretary provides information to new directors regarding Board policies and procedures, and corporate governance matters. A programme of strategic and other reviews, together with the other training provided during the year, ensures that directors continually update their skills, their knowledge and familiarity with the Group's businesses, and their awareness of sector, risk, regulatory, legal, financial and other developments to enable them to fulfil effectively their role on the Board and committees of the Board.

### Board performance evaluation

Every year the performance and effectiveness of the Board, its committees and individual directors is evaluated. In line with the Code, this year the evaluation was externally facilitated, having last been externally facilitated during the year to January 2020. During the year Clare Chalmers Limited ("Clare Chalmers") conducted a formal, externally facilitated review of the effectiveness of the Board and its principal committees. Clare Chalmers is an independent adviser with no other connection to the Company or any of the individual directors. The evaluation was conducted by the completion of detailed and comprehensive written survey questionnaires by all Board members and the Company Secretary. The questionnaires were agreed with the Company Secretary and the Chair of the Board. The Board questionnaire covered such themes as strategy, leadership and accountability, Board composition, diversity, culture and risk management, and how effectively Board members work together to achieve objectives, with similar coverage for each of the committees. Clare Chalmers provided a full, written report based on the responses to the survey, which they discussed with the Chair. The full report was shared with and discussed by the Board and each of the committees. Overall, the review found that the Board and its committees were functioning in an effective manner and performing satisfactorily, with no major issues identified. Actions will be taken to address certain areas arising from the evaluation, including an increased focus on purpose and how it cascades down into strategy, values and culture, an increased focus on the Board's risk appetite, dedication of more time to succession planning for executive directors and senior management, increasing the non-executive directors' contact with the business and certain improvements to the Board papers.

The non-executive directors, led by the senior independent director, carried out a performance evaluation of the Chair without the Chair present, taking into account the views of the executive directors. It was concluded that M. Allen's performance continues to be strong and that he demonstrates effective leadership. The Chair is pleased to confirm that, following performance evaluation of the directors, all of the directors' performances continue to be effective and all of the directors continue to demonstrate commitment to the role of director, including commitment of time for Board meetings and committee meetings and any other relevant duties.

### Meetings and attendance

Board meetings are scheduled to be held seven times each year. Between these meetings, as required, additional Board meetings (and/or Board committee meetings) may be held to progress the Company's business. A part of each Board meeting is dedicated to the discussion of specific strategy matters.

In advance of all Board meetings the directors are supplied with detailed and comprehensive papers covering the Group's operating functions. Members of the management team attend and make presentations as appropriate at meetings of the Board. The Company Secretary is responsible to the Board for the timeliness and quality of information provided to it. The Chair holds meetings with the non-executive directors during the year without the executive directors being present.

The attendance of directors at scheduled Board and committee meetings in the year to 29 January 2023 is set out below. During the year, the Board also convened two additional Board meetings in relation to various matters, including certain contract approvals and a potential acquisition. All of the directors who could have attended those Board meetings did so, with the exception of S.V. Barratt who was unavailable for one of those meetings.

# Corporate Governance Report continued

| | Board Maximum 9 | Audit and Risk Committee Maximum 4 | Remuneration Committee Maximum 4 | Nomination Committee Maximum 3 | ESG Committee Maximum 2 |
|---|---|---|---|---|---|
| **Executive** | | | | | |
| R.A. White* | 9 | – | 4 | 3 | 2 |
| S. Lorimer** | 9 | 4 | – | – | – |
| J.D. Kemp | 9 | – | – | – | – |
| **Non-executive** | | | | | |
| J.R. Nicolson*** | 1 | – | – | – | – |
| M. Allen**** | 9 | 1 | 1 | 3 | – |
| W.R.G. Barr | 9 | – | – | 3 | – |
| S.V. Barratt | 8 | 4 | 4 | 3 | 2 |
| Z.L. Howorth† | 9 | 1 | 4 | 1 | 2 |
| D.J. Ritchie | 9 | 4 | 4 | 3 | – |
| N.B.E. Wharton | 9 | 4 | – | 3 | – |

* R.A. White attended Board committee meetings during the year by invitation.
** S. Lorimer attended Audit and Risk Committee meetings during the year by invitation.
*** J.R. Nicolson resigned from the Board on 31 March 2022 and could have attended a maximum of one Board meeting.
**** M. Allen resigned from the Audit and Risk Committee on 31 March 2022 following his appointment as Chair of the Board and could have attended a maximum of one Audit and Risk Committee meeting. M Allen attended a Remuneration Committee meeting during the year by invitation.
† Z.L. Howorth attended Audit and Risk Committee and Nomination Committee meetings during the year by invitation.

## Committees of the Board

The terms of reference of the principal committees of the Board – Audit and Risk, Remuneration, Nomination and ESG – have been approved by the Board and are available on the Company's website, www.agbarr.co.uk.

Those terms of reference have been reviewed in the current year and are reviewed at least annually. The work carried out by the Nomination Committee in discharging its responsibilities is summarised below. The work carried out by the Audit and Risk Committee is described within the Audit and Risk Committee's Report on pages 85 to 88. The work carried out by the Remuneration Committee is described within the Directors' Remuneration Report on pages 104 to 105. The work carried out by the ESG Committee is described within the Responsibility Report on page 45.

The Board has a Market Disclosure Committee which comprises S.V. Barratt, R.A. White, S. Lorimer and the Company Secretary. The Market Disclosure Committee meets only when required and is responsible for overseeing the disclosure of information by the Company to meet its obligations under the Market Abuse Regulation and the Financial Conduct Authority's Listing Rules and Disclosure Guidance and Transparency Rules. S.V. Barratt, R.A. White and S. Lorimer attended the one meeting of the Market Disclosure Committee held during the year.

The Board also has an Equity Investment Committee which comprises M. Allen, R.A. White, S. Lorimer and the Company Secretary. The Equity Investment Committee meets only when required and is responsible for overseeing the Company's equity investments in Elegantly Spirited Limited and MOMA Foods Limited and any other future similar equity investments in investee companies. M. Allen, R.A. White and S. Lorimer attended the two meetings of the Equity Investment Committee held during the year in relation to equity investments in Boost Drinks Holdings Limited and MOMA Foods Limited.

## Nomination Committee

The Nomination Committee comprises M. Allen, W.R.G. Barr, S.V. Barratt, D.J. Ritchie and N.B.E. Wharton. The Nomination Committee is chaired by M. Allen. The Nomination Committee leads the process for making appointments to the Board and ensures that there is a formal, rigorous and transparent procedure for the appointment of new directors to the Board. The remit of the Nomination Committee also includes reviewing the composition of the Board through a full evaluation of the skills, knowledge and experience of directors and ensuring plans are in place for orderly succession for appointments to the Board. When identifying potential new directors for appointment to the Board, the Nomination Committee retains the services of an external search consultant. The Nomination Committee makes recommendations to the Board on its membership and the membership of its principal committees.

The Nomination Committee is required, in accordance with its terms of reference, to meet at least once per year. The Nomination Committee met three times during the year and, amongst other matters, considered the structure, size and composition of the Board and its committees, cognisant of the need to ensure that they have the right combination of skills, experience and knowledge, and bearing in mind the length of service of the Board as a whole and the need to regularly refresh its membership. The Nomination Committee considered a corporate succession plan for the Board and senior management, based on merit and objective criteria and cognisant of the need to build a diverse and inclusive culture. The Nomination Committee also approved the Board's current mechanism for workforce engagement and recommended the workforce engagement terms of reference to the Board for approval.

The Board believes that building a diverse and inclusive culture is integral to the success of the Company. Diversity includes aspects such as diversity of skills, perspectives, industry experience, educational and professional background, gender, ethnicity and age. The Company's Board and Executive Committee Diversity Policy ("Diversity Policy") provides that these aspects will be considered in determining the optimum composition of the Board and Executive Committee, with the aim of achieving an appropriate balance. All appointments to the Board and Executive Committee are made on merit, against objective criteria, and with due regard for the benefits of diversity and inclusion. The Company remains committed to the principle of diversity and aims to achieve at least 40% female representation on the Board and Executive Committee and at least one director from an ethnic minority background on the Board. The Nomination Committee is responsible for overseeing the implementation of the Diversity Policy. The Nomination Committee reviews the Diversity Policy at least annually to ensure its effectiveness, with any amendments recommended to the Board for approval. Prior to the resignation of J.R. Nicolson as a non-executive director on 31 March 2022, 20% of the Board were female. Following the resignation of J.R. Nicolson, 22% of the Board were female. As at the date of this report, 33% of the Executive Committee are female and 44% of the Executive Committee's direct reports are female. The disclosure relating to gender diversity within the Company is included in the Strategic Report on page 37.

## Treasury and Commodity Committee

The Treasury and Commodity Committee consists of R.A. White, S. Lorimer and senior members of the finance, legal and procurement departments. The Treasury and Commodity Committee's terms of reference are reviewed and approved annually by the Audit and Risk Committee. The Treasury and Commodity Committee reviews purchase requirements in foreign currencies and implements strategies, including the use of foreign exchange hedges, in order to reduce the risk of foreign exchange exposure and provide certainty over the value of non-domestic purchases in the short to medium term.

The Treasury and Commodity Committee's remit includes the ability to utilise certain financial instruments in order to hedge the Group's exposure to interest rate fluctuations. The Treasury and Commodity Committee also monitors the Group's short and medium term funding requirements, provides oversight of hedge accounting and adherence to hedge accounting standards, monitors the ongoing requirements of the Company's various employee share schemes, monitors cash flow and any capital restructure programmes, oversees the Group's dividend policy and proposals for the payment of dividends and annually reviews the Company's Statement of Delegated Authorities.

## Internal control

The Board has overall responsibility for the Group's internal control systems and annually reviews their effectiveness, including a review of financial, operational, compliance and risk management controls. The implementation and maintenance of the risk management and internal control systems are the responsibility of the executive directors and other senior management. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and to provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board has reviewed the effectiveness of the Group's risk management and internal control systems, including financial, operational and compliance controls, in accordance with the Code for the period from 31 January 2022 to the date of approval of this annual report. No significant failings or weaknesses were identified from this review during the year. Had any failings or weaknesses been identified then the Board would have taken the action required to remedy them.

The Board confirms that there is an ongoing process, embedded in the Group's integrated internal control systems, allowing for the identification, evaluation and management of significant risks, as well as a reporting process to the Board. This risk management process has been in place throughout the year ended 29 January 2023 and up to the date of the approval of this annual report. The Board has carried out a robust, systematic assessment of the principal and emerging risks facing the Group during the period, including those which would threaten its business model, future performance, solvency or liquidity. Information on the Group's risk management framework, including the operation of the Group's Risk Committee, is set out in the Strategic Report on pages 62 to 69.

The three main elements of the Group's internal control system are as follows:

### The Board

The Board has overall responsibility for the Group's internal control systems and exercises this through an organisational structure with clearly defined levels of responsibility and authority as well as appropriate reporting procedures.

The Board has a schedule of matters that are brought to it, or its duly authorised committees, for decision, aimed at maintaining effective control over strategic, financial, operational and compliance issues.

This structure includes the Audit and Risk Committee which, with the Finance Director, reviews the effectiveness of the internal financial and operating control environment.

### Financial reporting

There is a comprehensive strategic planning, budgeting and forecasting system with an annual operating plan approved by the Board. Monthly financial information, including trading results, cash flow statement, statement of financial position and indebtedness, is reported.

The Board and the Executive Committee review the business and financial performance against the prior year and against annual plans approved by the Board.

# **Corporate Governance Report** continued

### Audits and reviews

The key internal risks identified in the Group are subject to regular audits or reviews by the internal auditors. This role is fulfilled by an external professional services firm which is independent from the Board and the Group.

The review of the internal auditor's work by the Audit and Risk Committee and monitoring procedures in place ensure that the findings of the audits are acted upon and subsequent reviews confirm compliance with any agreed action plans.

The Board confirms that there has been an independent internal audit function in place for the year.

### Share capital structure

The share capital structure of the Company is set out in the Directors' Report.

### UK Corporate Governance Code compliance

The Company is committed to the principles of corporate governance contained in the Code. A copy of the Code is available on the Financial Reporting Council's website, www.frc.org.uk.

Each of the provisions of the Code has been reviewed and, where necessary, steps have been taken to ensure that the Company is in compliance with all of those provisions as at the date of this report. The directors consider that the Company has complied throughout the year ended 29 January 2023 with the provisions of the Code, except as set out below.

Provision 19 of the Code states that the Chair should not remain in post beyond nine years from the date of their first appointment to the Board. J.R. Nicolson was appointed as a non-executive director to the Board on 1 January 2013 and was appointed as Chair of the Board on 1 January 2015. J.R. Nicolson resigned from the Board on 31 March 2022. J.R. Nicolson therefore remained as Chair of the Board for a period of three months following the expiry of the nine year period from the date of his first appointment to the Board. J.R. Nicolson remained in post for this brief three month period to complete the financial cycle for the year to 30 January 2022 and to ensure an orderly handover to his successor as Chair, M. Allen.

Provision 38 of the Code states that pension contribution rates for executive directors, or payments in lieu, should be aligned to those available to the workforce. As disclosed in the Directors' Remuneration Report, R.A. White, S. Lorimer and J.D. Kemp receive a cash allowance equal to their contractual pension provision of 24% of salary. These provisions will continue to be honoured as contractual commitments made to these incumbent executive directors. As disclosed in the Directors' Remuneration Policy, the maximum company pension contribution for any new executive director appointments will be aligned to that available to the wider workforce, which is currently 8% of salary.

Provision 39 of the Code states that executive directors' contracts should contain a maximum notice period of one year. As disclosed in the Directors' Remuneration Report, the service contracts with R.A. White and J.D. Kemp provide for a notice period of 12 months except during the six months following either a takeover of or by the Company or a Company reconstruction. Under these conditions and certain circumstances the directors are entitled to a liquidated damages payment equal to the director's basic salary at termination plus the value of all contractual benefits for a two year period. Given the size of the Company and the sector dynamics at the time these directors were recruited, the Remuneration Committee considered this provision appropriate in order to attract and retain high calibre executive directors. As disclosed in the Directors' Remuneration Report, this provision will continue to be honoured as a contractual commitment made to these directors; however this provision was not included in S. Lorimer's service contract and will not be included in service contracts with other new executive directors appointed in future, to ensure that future executive directors' service contracts comply with provision 39 of the Code.

A copy of the financial statements has been placed on the Company's website, www.agbarr.co.uk. The maintenance and integrity of this website is the responsibility of the directors. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

**J.A. Barr**
Company Secretary
28 March 2023

# Audit and Risk Committee Report

On behalf of the Audit and Risk Committee, I am pleased to present its report for the year ended 29 January 2023. The report describes the key activities undertaken by the Committee during the year and how it has discharged its role and responsibilities.

**Nick Wharton**
Chair of the Audit and Risk Committee

## Composition

During the year the Audit and Risk Committee (the "ARC") comprised four non-executive directors: N.B.E. Wharton, M. Allen OBE, S.V. Barratt and D.J. Ritchie. M. Allen resigned from the ARC upon being appointed Chair of the Board on 31 March 2022. Following M. Allen's resignation, the ARC comprised three non-executive directors. The ARC is chaired by N.B.E. Wharton. The Board is satisfied that N.B.E. Wharton has recent and relevant financial experience as required by provision 24 of the 2018 UK Corporate Governance Code. Biographical details of the Chair and other members of the ARC are shown on pages 70 and 71. The Board has determined that the current composition of the ARC as a whole has competence relevant to the sector in which the Company operates, to enable it to deal effectively with the matters it is required to address and to challenge management when necessary.

## Meetings

The ARC met four times during the year. The meetings are attended by the ARC members and, by invitation, the Finance Director, the Group Financial Controller, the Company Secretary and representatives from the external and internal auditors. The ARC meets regularly with executive directors and management, as well as privately with the external and internal auditors.

## Role and responsibilities

The primary role of the ARC is to assist the Board in fulfilling its oversight responsibilities. This includes:

- Financial reporting:
  - monitoring the integrity of the annual and interim financial statements and formal announcements relating to the Group's financial performance and reviewing any significant financial reporting judgements and disclosures which they contain;
  - if requested by the Board, providing advice on whether the Annual Report and Accounts are fair, balanced and understandable; and
  - reporting to the Board on the appropriateness of the Group's accounting policies and practices.

- Internal control and risk management:
  - reviewing and monitoring the effectiveness of the Group's internal control and risk management systems;
  - reviewing and monitoring the effectiveness of the internal audit function, which is resourced externally, and management's responsiveness to any findings and recommendations; and
  - reviewing the identification and mitigation of the Group's existing corporate risks and emerging risks.

- Policies and procedures:
  - reviewing and approving the terms of reference for the Company's Treasury and Commodity Committee;
  - reviewing the Group's delegated authority limits;
  - reviewing and monitoring the Group's Tax risk management policy;
  - reviewing and monitoring the Group's Anti-facilitation of tax evasion policy;
  - reviewing and monitoring the appropriateness of the Group's Anti-bribery policy and procedures;
  - approving the appointment and removal of the internal auditor;
  - making recommendations to the Board in relation to the appointment and removal of the external auditor and approving its remuneration and terms of engagement;
  - reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process;
  - reviewing the policy on the engagement of the external auditor to supply non-audit services; and
  - reporting to the Board on how it has discharged its responsibilities.

## Activities of the Audit and Risk Committee

In respect of the year to 29 January 2023 ('period under review'), the ARC has:

- Financial reporting:
  - reviewed and discussed with the external auditor the key accounting considerations and judgements reflected in the Group's unaudited results for the six month period ended 31 July 2022;
  - reviewed and agreed the external auditor's audit strategy memorandum in advance of its audit for the year ended 29 January 2023;
  - discussed and agreed the nature and scope of the work to be performed by the external auditors;
  - received and reviewed reports from management regarding their approach to key accounting considerations and judgements in the half year and full year financial statements;
  - reviewed the half year and full year financial statements;
  - discussed the report received from the external auditor regarding its audit in respect of the year ended 29 January 2023, which included comments on its findings on internal control and key audit risks and a statement on its independence and objectivity; and
  - reviewed the results of this audit work and the response of management to matters raised.

- Internal control and risk management:
  - received reports from internal audit covering various aspects of the Group's operations, controls and processes;
  - received reports on the operation of the Group's Risk Committee;
  - reviewed the Group's risk register and the Group's principal risks in light of the Board's risk appetite for key risk areas, together with the systems and processes for mitigating those risks;
  - received reports from management on the actions taken by the business to mitigate cyber risks, including the risk of a ransomware attack;
  - received reports from management regarding the operation of the new structure and processes in relation to the identification and management of emerging risks for the Group and reviewed the Group's emerging risks related to technology;

# **Audit and Risk Committee Report** continued

  - reviewed and recommended the Group's enterprise risk management framework, including the Group's risk appetite statement, to the Board;
  - discussed and agreed the nature and scope of the work to be performed by the internal auditor;
  - reviewed the results of this audit work and the response of management to matters raised;
  - reviewed the effectiveness of the Group's risk management and internal control systems (including financial, operational, compliance and risk management controls); and
  - reviewed and approved the Company's viability and going concern statements.

Consideration of the effectiveness of the Group's risk management and internal control systems is set out in the Corporate Governance Report on pages 83 and 84.

- Policies and procedures:
  - reviewed and approved the Treasury policy, Commodities management policy and the terms of reference for the Group's Treasury and Commodity Committee;
  - reviewed and recommended the Group's Tax risk management policy to the Board;
  - reviewed and approved the Group's Anti-facilitation of tax evasion policy;
  - reviewed the effectiveness of the Group's Anti-bribery systems and controls and reviewed and approved the Group's Anti-bribery and Corruption policy;
  - reviewed the Group's delegated authority limits;
  - approved the reappointment of the internal auditor;
  - made recommendations to the Board on the appointment and remuneration of the external auditor and monitored the performance of the auditor;
  - monitored and reviewed the performance of the incumbent internal auditor and the effectiveness of the Group's internal audit activities;
  - reviewed its policies on the supply of non-audit services by the external auditor and on the employment of former employees of the Group's external auditor;
  - reviewed the non-audit services provided to the Group by the external auditor and monitored and assessed the independence of both the external and internal auditors; and
  - reviewed the performance of the ARC and its terms of reference.

At the request of the Board, the ARC also considered whether the Annual Report and Accounts for the year ended 29 January 2023, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Following review of management's processes in this regard and consideration of the draft Annual Report and Accounts, the ARC recommended to the Board that it could make the required disclosure as set out in the Directors' Responsibilities Statement on page 128.

## Significant areas

The significant matters and key accounting judgements independently assessed and considered by the ARC in respect of the period under review were:

- Revenue recognition – brand support accruals: judgement is required by management when determining the level of brand support accruals at the year end. During the year, the ARC received and considered reports from management on the improvements made to the internal processes and controls in place with regard to brand support accruals, and the level of accruals at the half year and at the year end. It also received and considered reports from the external auditor following their review of net revenue and brand support accruals during the period. The ARC considered these reports and was satisfied that the estimates and judgements made by management are appropriate.
- Management override of controls: there is a risk of fraud associated with the potential override of internal controls by management. During the year, the ARC assessed this risk, and received and considered a report from the external auditor which stated that its procedures, which included the use of data analytics, did not identify any errors or significant deficiencies in internal controls. The ARC was content that there were no issues arising.

## Other areas

Other matters independently assessed and considered by the ARC in respect of the period under review were:

- Impairment of intangible assets: the ARC considered a report from management in relation to their impairment reviews of the intangible asset base and was satisfied with management's conclusion that, following impairment assessments carried out as part of the interim and full year reporting processes, which concluded that the carrying values of intangible assets on the balance sheet remained supportable, no impairment was required. The external auditor concurred with management's assessment.
- Assumptions used in the Company's defined benefit pension scheme: the Company operates the A.G. BARR p.l.c. (2008) Pension and Life Assurance Scheme, which includes a defined benefit section. The Company engages a third party, Hymans Robertson, to assist in the valuation of the defined benefit pension scheme liability. There is a risk related to judgements made by management in valuing the defined benefit pension scheme liability, including the appropriateness of the discount rate and inflation rate assumptions. These variables can have a material impact in calculating the quantum of the defined benefit liability. During the year the ARC were satisfied that management had considered and were comfortable with the assumptions used by Hymans Robertson (the "Assumptions"), and received and considered a report from the external auditor which stated that it had carried out a review and benchmarking exercise of the Assumptions and concluded that they were within an acceptable range. After discussion and challenge the ARC was satisfied that the Assumptions proposed were reasonable and these were approved.
- Going concern: the ARC considered and challenged reports from management regarding the going concern assumption and the key environmental and trading sensitivities applied, and was satisfied that this assumption was appropriate.

- Viability: the ARC considered and challenged reports from management regarding the viability statement, including information on the Group's financing facilities, and approved the viability statement.
- The Company's investment in Boost Drinks Holdings Limited ("Boost"): the Company acquired a 100% equity stake in Boost in December 2022. Management concluded that the Company obtained control over Boost and has therefore consolidated Boost as a fully owned subsidiary in the Company's accounts for the year ended 29 January 2023. The identification and valuation of intangibles as well as the valuation of other assets acquired and related assumptions, including any impairment considerations, were a key area of focus. The ARC received and considered reports from management and the external auditor on these matters. The ARC was satisfied with these reports and with the accounting for the investment in Boost.
- The Company's acquisition of the remaining 38.2% equity stake in MOMA Foods Limited ("MOMA"): the Company obtained control of MOMA in the prior year following its acquisition of an initial c.62% equity stake in MOMA in December 2021. MOMA was consolidated as a fully owned subsidiary in the Company's prior year accounts and a non-controlling interest was recognised. Following the Company's acquisition of the remaining 38.2% equity stake in MOMA in December 2022, the Company holds a 100% equity stake in MOMA. Management concluded that the non-controlling interest should be derecognised as a result of this transaction, with the difference between the put option liability and the consideration paid released to the income statement for the year under review. The external auditor reviewed management's treatment of this transaction, including the recalculation of the amounts released. The ARC received and considered reports from management and the external auditor on these matters. The ARC was satisfied with these reports and with the accounting for the investment in MOMA.
- The presentation and explanation of the use of alternative performance measures ("APMs"): the ARC considered a report from management regarding the move from reporting exceptional items in the financial statements to a singular tabular reporting structure for the income statement and the use of adjusting items as APMs for the year ended 29 January 2023; this move was made in line with market and best practice. The ARC also considered a report from the external auditor on management's presentation of APMs in the Annual Report and Accounts for the year ended 29 January 2023, including a report on whether the use of APMs and statutory figures was generally well balanced and APMs were appropriately labelled and defined, and was satisfied that APMs were appropriately presented.
- Adjusting items: the ARC considered and challenged a report from management in relation to the classification and presentation of certain items as adjusting items, and was satisfied with the treatment and presentation of these items which arose during the period under review as adjusting. Please see above regarding the change from reporting exceptional items to reporting adjusting items for the year ended 29 January 2023.
- Valuation of inventory: inventory was an area of focus due to the price volatility related to raw materials. The ARC received a report from management confirming that the annual average actual cost per case would be used as the method of calculation for the purposes of valuing inventory at the year end; this was supported by the external auditor and the ARC. The ARC also received and considered a report from the external auditor following their review of management's controls and processes in relation to the valuation of inventory, and their assessment of the risk identified. The ARC was satisfied that the estimates and judgements made by management were appropriate.

The ARC receives regular presentations from members of the senior management team. During the year, the ARC considered presentations from representatives of the management team on treasury and commodities management, intellectual property risk, emerging risks related to technology, brand support accruals, procedures to prevent bribery and corruption, tax strategy and the project to transition the Company's defined contribution pension schemes to an outsourced master trust arrangement.

## External audit

The Group's external auditor is Deloitte LLP ("Deloitte"). The current audit partner is David Mitchell, who replaced David Sweeney with effect from July 2022 following David Sweeney's completion of five years as the Group's audit partner. The ARC reviews the external auditor's performance, independence and objectivity annually. The ARC ensures that procedures are in place to safeguard the external auditor's independence and objectivity. The external auditor reports regularly to the ARC on the actions that it has taken to comply with professional and regulatory requirements and current best practice in order to maintain its independence and objectivity.

The Group has a policy in place which ensures that the provision of non-audit services by the external auditor does not impair the auditor's independence or objectivity. This policy reflects the Financial Reporting Council's Ethical Standard 2019, such that the external auditor may only provide non-audit services which are closely linked to the audit itself or are required by law or regulation. The policy was complied with during the year.

Details of the amounts paid to the external auditor during the year for audit and non-audit services are set out in Note 3 to the financial statements. The ratio of fees for non-audit services to those for audit services for the year was 18%, within the 70% cap in the Financial Reporting Council's guidance. The ARC considered the nature and level of non-audit services provided and was satisfied that the objectivity and independence of the external auditor were not affected by the non-audit work undertaken. The non-audit fees during the year

# Audit and Risk Committee Report continued

related to the performance of the half year review and work regarding the verification of German sales volumes to the German packaging authority for the purposes of the 'Green Dot' packaging scheme. The nature of and level of fees for the non-audit services provided were considered by Deloitte who concluded that they did not present a threat to Deloitte's independence.

Deloitte was appointed as the Group's external auditor in May 2017 following a competitive tender process. There are no contractual obligations which restrict the ARC's choice of external auditor. The senior statutory auditor rotates every five years to ensure independence. David Mitchell therefore replaced David Sweeney during the 2022/23 financial year, as noted above. The ARC acknowledges the requirement to tender the external audit contract at least every ten years. The Company confirms that it has complied with the provisions of the Competition and Markets Authority's Statutory Audit Services Order in respect of the financial year.

During the year, the ARC reviewed and monitored the external auditor's independence and objectivity and the effectiveness of the external audit process. The ARC reviewed and approved the external auditor's plan for undertaking the half year review and the year end audit, including the scope of their work and their proposed approach to the key risk areas identified. After discussion and challenge the ARC approved this plan. The ARC reviewed the detailed reports prepared by the external auditor setting out their findings from the half year review and the year end audit, with a particular focus on the areas of audit risk identified. The ARC also received comprehensive papers from management in relation to the half year review and the year end audit. The ARC held meetings with the external auditor in the absence of management to discuss the interim review and the year end audit findings and processes. The ARC was satisfied with the internal processes run by management and their response to challenge by the external auditor.

The ARC carried out a review of the effectiveness of the external auditor and the external audit process during the year, led by the Chair of the ARC. This review included an internally facilitated detailed and comprehensive evaluation of the Group's external auditor and the external audit process using written survey questionnaires, which were completed by the executive directors and relevant members of senior management. Members of the ARC carried out an externally facilitated review of the Group's external auditor and the external audit process during the year using written survey questionnaires. The results of the evaluation were shared with the ARC and the external auditor. A small number of improvement opportunities were identified and discussed with the external auditor.

Following these reviews and meetings, and after debate and discussion, the ARC was satisfied with Deloitte's performance during the year, that it was objective and independent, and that the external audit process remains effective, with no major issues identified. The ARC has recommended to the Board that a resolution proposing the appointment of Deloitte be put to shareholders at the 2023 AGM.

## Internal audit

At the beginning of each year, an internal audit plan is developed by the internal auditor following meetings with directors and senior managers within the business and with reference to the significant risks contained within the Group's risk register and identified controls. The ARC approves the internal audit plan for the first half of the year at the beginning of the year and the plan for the second half of the year at the June ARC meeting. The ARC receives updates on progress against the plan and the recommendations arising from the internal audits throughout the year, together with updates on management's progress against outstanding actions. The ARC held meetings with the internal auditor in the absence of management to discuss the internal audit findings and processes.

The ARC carried out a review of the effectiveness of the internal audit function and the Company's risk management and internal control systems during the year, led by the Chair of the ARC. This review included an internally facilitated detailed and comprehensive evaluation of these matters using written survey questionnaires, which were completed by the executive directors and relevant members of senior management. Members of the ARC carried out an externally facilitated review of the Group's internal audit function and the Company's risk management and internal control systems during the year using written survey questionnaires. The results of the evaluation were shared with the ARC and the internal auditor.

Following these reviews and meetings, the ARC was satisfied that the internal audit function was performing in an effective manner and that the Company's risk management and internal control systems were effective, with no major issues identified.

## Audit and Risk Committee evaluation

The ARC carried out a review of the performance and effectiveness of the ARC during the year, led by the Chair of the ARC. In line with the 2018 UK Corporate Governance Code, this year the evaluation was externally facilitated, having last been externally facilitated during the year to January 2020. This review included a detailed and comprehensive evaluation of the performance and effectiveness of the ARC using written survey questionnaires, which were completed by members of the ARC, the Finance Director and the Company Secretary. The results of the evaluation were shared with the ARC. Overall, the review found that the ARC was functioning in an effective manner and performing satisfactorily, with no major issues identified.

**Nick Wharton**
Chair of the Audit and Risk Committee
28 March 2023

# Directors' Remuneration Report
## Remuneration Committee – Chair's Statement

### Introduction
On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 29 January 2023, which sets out the new Remuneration Policy intended to take effect from the close of the 2023 AGM on pages 107 to 121, and the Annual Report on Remuneration which provides details of the amounts earned by the directors in respect of the year ended 29 January 2023 and how we intend to operate the Remuneration Policy for the year commencing 30 January 2023 on pages 92 to 106.

The current Remuneration Policy was approved by a binding vote at the 2020 AGM and became effective for three years from the close of that meeting. The proposed new Remuneration Policy will be subject to a binding vote and the Annual Report on Remuneration will be subject to an advisory vote at the 2023 AGM.

I am pleased to report a successful period of consultation with shareholders on the proposed new Remuneration Policy, which was undertaken in December 2022 through to February 2023 prior to the Remuneration Committee finalising the proposed new Remuneration Policy. Shareholders representing c.70% of the shares on the register were consulted. There was good support for the changes being proposed to align the new Remuneration Policy with evolving governance guidance. There was also good support for the confirmed position in respect to new executive director pension provision being aligned with the wider workforce and a recognition that it remains challenging to alter the pre-existing legacy contractual position of pension provision for existing executive directors. There was consistent support for the overall levels of remuneration, recognising the relatively modest levels of total pay, compared to companies of comparable size and complexity, combined with the challenging performance targets set by the Remuneration Committee each year. Whilst individual stakeholder views did vary, we take comfort from the broad consensus of supportive shareholder feedback received as we finalised the proposed new Remuneration Policy.

There were no changes to the composition of the Remuneration Committee during the year. The Remuneration Committee carried out an externally facilitated review of its performance and effectiveness during the year. This review employed written survey questionnaires, which were completed by members of the Remuneration Committee and the Company Secretary. The results of the evaluation were shared with the Remuneration Committee. Overall, the review found that the Remuneration Committee was functioning in an effective manner and performing satisfactorily, with no major issues identified.

### Proposed Remuneration Policy
As required by the 2018 UK Corporate Governance Code, the Remuneration Committee has completed an extensive review of the Remuneration Policy at the third anniversary of the last shareholder approval, having held the existing Remuneration Policy unaltered over the last three years. In completing this, the Remuneration Committee has reviewed the appropriateness of the existing Remuneration Policy based on the Company's strategy and culture, market conditions and corporate performance since the last Remuneration Policy review, alongside developments in market practice. Following this review, the Remuneration Committee has made changes to the Remuneration Policy to ensure that it is appropriate for the next three years, so that it complies with the 2018 UK Corporate Governance Code and effectively supports the delivery of the business strategy, is aligned with its culture and values, adequately rewards strong performance and suitably aligns reward with the creation of shareholder value.

The details of the proposed new Remuneration Policy are set out on pages 107 to 121. In summary, the changes planned for the new Remuneration Policy as compared to the existing Remuneration Policy approved at the 2020 AGM are as follows:

**Pension provision**: new executive directors will receive pension contributions at levels aligned with the wider workforce in the Company. The Company will continue to honour its contractual obligations to incumbent executive directors which recognises that there is a legacy position with base salary and pension contributions at levels which ensure an appropriate and balanced total level of fixed pay;

**Increase in annual bonus deferral**: executive directors will be required to hold 25% of any annual bonus earned in shares in the Company for a period of two years, this requirement previously being 20%;

**LTIP holding period**: all executive directors will be required to hold any shares vesting from LTIP awards granted after adoption of the new Remuneration Policy for a period of two years, previously this requirement excluded any executive director who already held shares with a value greater than 300% of base salary;

**Increase in shareholding guidelines**: all new executive directors will be required to build and hold a shareholding in the Company of 200% of base salary, currently the requirement is 150% of base salary for existing executive directors other than the Chief Executive where the requirement is already at 200%;

**Increase in post cessation shareholding period**: for new executive directors there will be a requirement to hold their shares in the Company (up to a maximum of the shareholding guidelines) for two years after leaving the employment of the Company; the incumbent executive director requirement will remain at one year after leaving employment;

**Extension of malus and clawback provisions**: the existing malus and clawback provisions are extended to align with latest best practice and corporate governance guidelines.

### Remuneration in context
The last year has remained very challenging with the evolution of global supply chain issues associated with the Covid-19 pandemic transitioning to a cost of living crisis with high levels of cost inflation. In this context, the Remuneration Committee has considered the experiences of key stakeholders over the year, as well as overall Group performance, when making executive remuneration decisions in respect of 2022/23 and the forthcoming financial year. Below is a summary of the key drivers of our decisions:

# **Directors' Remuneration Report** continued

**Group performance**

- Revenue increased by 18.2% to £317.6m.
- Adjusted profit before tax of £43.5m, an increase of 13.3% on the prior year.
- Net cash at bank* at year end of £52.9m.

**Shareholder experience**

- An interim dividend of 2.5p per share paid in October 2022 and a proposed final dividend for the 2022/23 financial year of 10.6p.
- The share price at the end of the financial year of £5.24 was c.6% higher than at the start of the year.

**Employee experience**

- The Group paid bonuses for the 2021/22 financial year to employees based on strong individual performance.
- The Group increased salaries for the workforce in April 2022 by an average of 3% and made specific cost of living payments to the majority of the workforce in August 2022 and January 2023.
- Flexible working arrangements continued in 2022/23 to support employees, with particular focus on mental wellbeing.

**Customer experience**

- Strong support provided to the Group's customers notwithstanding the volatile market backdrop and global supply chain issues.

## Pay for performance in 2022/23

The Remuneration Committee remains committed to a responsible approach to executive pay and believes that variable pay should only be earned for achievement against stretching targets.

### Achievement against annual bonus targets – bonus to be paid for strong performance

The executive directors were set a stretching target for profit before tax ("PBT"), which accounts for 80% of bonus opportunity for each executive director. The PBT target range of £40m to £47m reflected the ambitions for growth of the business set against challenging external conditions, including the ongoing cost of living crisis and worldwide supply chain challenges. By meeting and overcoming these external challenges, the executive directors delivered strong growth in revenue and achieved adjusted PBT* of £43.5m. In assessing bonuses to be awarded, the Remuneration Committee decided to adjust the profit outturn in the year for c.£1.5m of adjusting items, primarily two exceptional and unbudgeted cost of living allowances paid to the vast majority of employees during the year; this was wholly consistent with how wider workforce bonuses were assessed. The Remuneration Committee concluded that the executive directors will receive 75% of the PBT portion of the bonus. The executive directors did not receive either of the cost of living payments.

Each of the executive directors was also set stretching individual strategic objectives tailored to their role and responsibilities, which account for 20% of bonus opportunity for each director. The Remuneration Committee reviewed each of the directors' strategic objectives in turn, to fully understand the extent to which each strategic objective had been achieved. The Remuneration Committee was satisfied that strong progress had been achieved by each of the executive directors towards their strategic objectives and agreed to award 75% of the maximum of 20% available for this part of the bonus to each of the directors, resulting in total bonus of 93.75% of basic salary for each director.

Further details of bonus awards can be found on pages 94 and 95.

### Achievement against LTIP targets – 2020 LTIP awards vest at 71.1%

The 2020 LTIP used the performance metrics of cumulative Earnings Per Share ("EPS") and Total Shareholder Return ("TSR") to assess the long-term performance of the executive directors, with 50% of the LTIP assessed on EPS and the balancing 50% assessed on TSR. The cumulative EPS over the three years ended 29 January 2023 was 76.4p, which compared to the EPS target range set in November 2020 of 65.0p to 75.0p. As a result, subject to the LTIP rules the EPS element of the LTIP will vest in full in November 2023.

In respect of TSR, the Company delivered a TSR over the assessed period which was above the median performance but below the upper quartile performance of the agreed peer set of companies in the FTSE 250. As a result, subject to the LTIP rules the TSR element of the LTIP will vest at 42.2%. Therefore, overall 71.1% of the LTIP award will vest on the three year anniversary of the award in November 2023. Further details can be found on page 96.

The Committee has reviewed the outcomes arising from the application of the Remuneration Policy during the year and considers these outcomes to be fair and appropriate. In particular, the Committee considered the impact of any windfall gains over the vesting period. However as the grant was deferred until November 2020 by which time share prices had stabilised following the initial volatility caused by the start of the pandemic, the Committee determined that there is no evidence of any significant gain to account for when the award vests. The Committee is confident that the Remuneration Policy has operated as intended during the year.

## Other pay decisions in respect of 2022/23

Set out below are the other decisions made during the year in respect of remuneration.

### Base salary increases – in line with wider workforce

The Remuneration Committee reviewed executive director salaries during the year and awarded increases of 3% in line with the increases awarded to the wider workforce.

### Bonus awards – pay out at 125% for 2021/22

The Committee confirmed in March 2022 that the bonuses payable in respect to the 2021/22 financial year were a full award at 125% of base salary. As a result, bonuses totalling £1.3m were paid to the executive directors in April 2022.

### LTIP awards – awards granted using three performance metrics of EPS, TSR and ESG

The Committee concluded that it was appropriate to grant LTIP awards in April 2022 at a value equal to 150% of base salary, consistent with the normal maximum opportunity under the Remuneration Policy. These LTIP awards will be assessed over the three year vesting period using the performance metrics of EPS, TSR and ESG with relative proportions of 60%, 30% and 10%.

### Employee engagement

The Remuneration Committee recognises the importance of culture and effective employee engagement in the creation of a good workplace. The Board's role is to ensure that effective processes and procedures are in place for gathering workforce views and engaging in meaningful dialogue with employees. The Board receives regular updates on workforce engagement throughout the year; the topic regarding how executive directors' remuneration aligns with wider Company pay policy is included as a specific discussion item at workforce engagement sessions at least once per annum. Further information on employee engagement is included in the Corporate Governance Report on pages 78 and 79.

### Looking forward – implementation of Remuneration Policy for 2023/24

Set out below are the decisions anticipated to be made during 2023/24 in implementing the Remuneration Policy.

### Base salary – increase set lower than the average for the wider workforce

Set at a level lower than the average of salary increases across the workforce, and to reflect the commitment and effort of our executive directors, an increase of 4.35% will be made to the executive directors' base salaries with effect from 1 April 2023. An increase of 4.00% will be made to the Chair's fee and the other non-executive directors' basic fee with effect from 1 April 2023.

### Annual bonus – to be operated in line with Remuneration Policy

The Remuneration Committee intends to operate the bonus scheme for the year ending 28 January 2024 in line with the Remuneration Policy, with maximum awards at 125% and continuing to be subject to a combination of PBT and individual strategic objectives.

Details of bonus award levels and performance measure weightings are provided on page 95. Performance targets for these bonus awards will be disclosed in the Annual Report on Remuneration for the year ending 28 January 2024.

### LTIP – awards at normal level of opportunity with targets based on cumulative EPS, TSR and ESG measures

In line with the Remuneration Policy, the Remuneration Committee intends to grant LTIP awards at the normal maximum opportunity of 150% of base salary in April this year. These LTIP awards will be assessed cumulatively over the following three years based on stretching targets set across three performance measures: EPS, TSR and ESG.

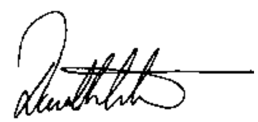
EPS is a key performance indicator for the Company and shareholders, and remains a highly credible measure of long term performance. Significant uncertainty for UK focused consumer goods businesses remains, therefore setting a three-year forward looking cumulative EPS target is challenging. However, the Remuneration Committee is confident that the target range selected is appropriately stretching and will help the Group drive growth in shareholder earnings. The EPS targets have been set specifically not taking into account the future impact of the introduction of the Deposit Return Scheme ("DRS") in Scotland from August 2023. The overall impact of the DRS is very challenging to assess with acceptable accuracy at this early stage. The Remuneration Committee has resolved to monitor the impact of the DRS post its implementation with the expectation that the EPS targets set in 2023 will be adjusted during the vesting period to enable the DRS impact to be included in the targets prior to the vesting date.

TSR is a relative performance measure which creates strong alignment between the executive directors and shareholders. As for the LTIP awards granted in 2022, the TSR performance of the Company will be compared over the three years to the TSR of the FTSE 250 index (excluding financial services).

The Remuneration Committee believes that environmental sustainability is important to the long term success of the business and the executive directors' remuneration should be related to their performance in this area. Consistent with the LTIP awards granted in 2022, the ESG performance of the Company will feature as a performance metric for the 2023 LTIPs based on environmental sustainability targets.

Details of the 2023 LTIP awards are provided on page 98. Details of the performance targets set for the 2023 LTIP awards will be disclosed in the Annual Report on Remuneration for the year ending 28 January 2024.

I look forward to your support at the upcoming AGM.



**David J. Ritchie**
Chair of the Remuneration Committee
28 March 2023

* Items marked with an asterisk are non-GAAP measures. Definitions and relevant reconciliations are provided in the Glossary on pages 199 to 204.

# **Directors' Remuneration Report** continued

## Annual report on remuneration

The following parts of the Remuneration Report are subject to audit, other than the elements explaining the application of the Remuneration Policy for 2023/24.

### Single figure table – audited information

The aggregate remuneration provided to directors who have served as directors in the year ended 29 January 2023 is set out below, along with the aggregate remuneration provided to such directors for the year ended 30 January 2022.

| Director | Jan 23 Salary/ fees £000 | Jan 22 Salary/ fees £000 | Jan 23 Benefits £000 | Jan 22 Benefits £000 | Jan 23 Bonus £000 | Jan 22 Bonus £000 | Jan 23 Long term incentives £000 | Jan 22 Long term incentives £000 | Jan 23 Pension £000 | Jan 22 Pension £000 | Jan 23 Total fixed remuneration £000 | Jan 22 Total fixed remuneration £000 | Jan 23 Total variable remuneration £000 | Jan 22 Total variable remuneration £000 | Jan 23 Total remuneration £000 | Jan 22 Total remuneration £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Executive** | | | | | | | | | | | | | | | | |
| R.A. White | 503 | 487 | 41 | 39 | 462 | 599 | 506 | – | 269 | 167 | **813** | 693 | **968** | 599 | **1,781** | 1,292 |
| S. Lorimer | 340 | 335 | 18 | 18 | 318 | 412 | 348 | – | 77 | 68 | **435** | 421 | **666** | 412 | **1,101** | 833 |
| J.D. Kemp | 254 | 251 | 19 | 23 | 242 | 314 | 265 | – | 57 | 42 | **330** | 316 | **507** | 314 | **837** | 630 |
| **Non-executive** | | | | | | | | | | | | | | | | |
| J.R. Nicolson* | 25 | 147 | – | – | – | – | – | – | – | – | **25** | 147 | **–** | – | **25** | 147 |
| M. Allen** | 142 | 29 | – | – | – | – | – | – | – | – | **142** | 29 | **–** | – | **142** | 29 |
| W.R.G. Barr | 51 | 50 | – | – | – | – | – | – | – | – | **51** | 50 | **–** | – | **51** | 50 |
| S.V. Barratt | 53 | 52 | – | – | – | – | – | – | – | – | **53** | 52 | **–** | – | **53** | 52 |
| Z.L. Howorth*** | 48 | 29 | – | – | – | – | – | – | – | – | **48** | 29 | **–** | – | **48** | 29 |
| P. Powell**** | – | 21 | – | – | – | – | – | – | – | – | **–** | 21 | **–** | – | **–** | 21 |
| D.J. Ritchie | 59 | 58 | – | – | – | – | – | – | – | – | **59** | 58 | **–** | – | **59** | 58 |
| N.B.E. Wharton | 59 | 58 | – | – | – | – | – | – | – | – | **59** | 58 | **–** | – | **59** | 58 |
| **Total** | **1,534** | 1,517 | **78** | 80 | **1,022** | 1,325 | **1,119** | – | **403** | 277 | **2,015** | 1,874 | **2,141** | 1,325 | **4,156** | 3,199 |

* J.R. Nicolson resigned from the Board on 31 March 2022. The remuneration above was paid in respect of his services until that date.

** M. Allen was appointed to the Board on 1 July 2021 and became Chair on 31 March 2022. The remuneration above was paid in respect of his services on the Board for the year to January 2022 and to 31 March 2022, and as Chair from 31 March 2022 to 29 January 2023.

*** Z.L. Howorth was appointed to the Board on 1 July 2021. The remuneration above was paid in respect of her services from that date.

**** P. Powell resigned from the Board on 1 July 2021. The above remuneration was paid in respect of her services until that date.

The figures in the single figure table on the previous page are derived from the following:

| | |
|---|---|
| **(a) Salary and fees** | The amount of salary/fees received in the year. A salary sacrifice arrangement is operated by the Company. Employees who join this arrangement no longer pay contributions to the pension scheme but receive a lower taxable salary. Directors' salaries are shown gross of any salary sacrifice pension contributions. |
| **(b) Benefits** | The value of benefits received in the year. These include car allowance, fuel benefit, private medical insurance, healthcare cash plan, flex-cash, the value of SAYE options vesting in the year, and AESOP free and matching shares awarded in the year.<br><br>SAYE: option shares are valued at the market price of the option shares at the date of vesting less the option exercise price.<br><br>AESOP: free and matching shares are valued at market value at the date of award.<br><br>Details of the executive directors' interests in the SAYE are set out on page 106. |
| **(c) Bonus** | A description of the annual bonus in respect of the year and Group and personal performance against which the bonus pay-out was determined is provided on pages 94 and 95. |
| **(d) Long term incentives** | The value of LTIP awards that vest in respect of the year.<br><br>Details of the executive directors' interests in the LTIP are set out on page 106. |
| **(e) Pension** | The pension figure includes:<br>• pension cash alternatives equal to the executive directors' contractual pension provision; and<br>• for individuals in the 2008 Scheme's defined benefit section, the additional value accrued in the year calculated using the HMRC method (using a multiplier of 20).<br><br>Further details of pension benefits are set out on pages 98 and 99. |

## Individual elements of remuneration

### Base salary and fees

Base salaries for individual executive directors for the year ended 29 January 2023 and for the following year are set out in the table below:

| Executive director | Base salary for year ended 29 January 2023 £000 | Base salary for year ending 28 January 2024 £000 | Increase % |
|---|---|---|---|
| R.A. White | 493 | 513 | 4.35% |
| S. Lorimer | 339 | 353 | 4.35% |
| J.D. Kemp | 258 | 269 | 4.35% |

# **Directors' Remuneration Report** continued

Details of non-executive directors' fees for the year ended 29 January 2023 and for the following year are set out in the table below:

| Non-executive director fee | Year ended 29 January 2023 £000 | Year ending 28 January 2024 £000 | Increase % |
|---|---|---|---|
| Chair of the Company* | 158 | 165 | 4.00% |
| Basic fee | 51 | 53 | 4.00% |
| Additional fee for chairing Audit and Risk Committee | 8 | 8 | -% |
| Additional fee for chairing Remuneration Committee | 8 | 8 | -% |
| Additional fee for chairing ESG committee | – | 2 | -% |
| Additional fee for Senior Independent Director | 2 | 2 | -% |

* A market review of the Chair's fees took place as part of the recruitment process for a new Chair of the Company, with the result that M. Allen's fees as Chair were £160k from 31 March 2022 when he succeeded J.R. Nicolson as Chair.

### Benefits – audited information

The benefits figure for each of the executive directors is detailed as follows:

#### Year ended 29 January 2023

| Executive director | Car and fuel benefit £000 | Other* £000 | AESOP awards £000 | Total £000 |
|---|---|---|---|---|
| R.A. White | 39 | 1 | 1 | 41 |
| S. Lorimer | 16 | 1 | 1 | 18 |
| J.D. Kemp | 17 | 1 | 1 | 19 |
| **Total** | **72** | **3** | **3** | **78** |

* Other costs included private medical insurance, healthcare cash plan and flex-cash as they are below £1,000 separately

The value of the AESOP awards is the sum of the AESOP free and matching shares awarded to the directors in the year.

### Annual bonus

The maximum annual bonus award opportunity for each executive director in respect of the year ended 29 January 2023 was 125% of salary, with 80% of the bonus assessed against the achievement of adjusted Group profit before tax, compared against a set of profit targets and 20% based on strategic objectives. In assessing bonuses to be awarded, the Remuneration Committee decided to adjust the profit outturn in the year for c.£1.5m of adjusting items, primarily two exceptional and unbudgeted cost of living allowances paid to the vast majority of employees during the year; this was wholly consistent with how wider workforce bonuses were assessed. The executive directors earned a total of £1.02m as annual bonus for the year, representing 93.75% of R.A. White's salary, 93.75% of S. Lorimer's salary and 93.75% of J.D. Kemp's salary. 20% of the bonus will be deferred into shares for two years and subject to malus and clawback provisions, as set out in the current Remuneration Policy.

The target for the annual bonus based on profit before tax and performance against that target is set out in the table below. 50% of this element of the bonus could be earned for on-target performance with zero paid for threshold performance and a broadly linear scale through to full payment of this element of the bonus for performance at or above the maximum target.

| | Threshold target | On target | Maximum target | Actual performance | Weighting as percentage of total bonus opportunity | Actual outcome as percentage of total bonus opportunity |
|---|---|---|---|---|---|---|
| Adjusted profit before tax | £40.0m | £43.0m | £47.0m | £45.0m | 80% | 60% |

Strategic objectives for the year ended 29 January 2023 account for 20% of the bonus and targets were set around the Company's key areas of strategic focus at the start of the financial year. Details of the strategic objectives for the year ended 29 January 2023 and the Committee's determination of performance against them is set out in the table below.

The Remuneration Committee debated each of the directors' strategic objectives in turn, having an in-depth discussion on an objective by objective basis to fully understand the extent to which each strategic objective had been achieved and which elements of any objectives remained outstanding. The Remuneration Committee then attributed an individual score to each objective. Given the commercial sensitivity surrounding the objectives these individual scores have not been disclosed. The cumulative totals are set out below with a summary of the objectives set.

| Measure | Weighting | Pay-out |
|---|---|---|
| **R.A. White** | 20% | 15% |
| Develop and deliver the DRS readiness plan | | |
| Deliver an objective related to the support of key growth drivers across the Group | | |
| Deliver an objective related to Group ESG initiatives | | |
| Deliver an objective related to enhancing shareholder value | | |
| **S. Lorimer** | 20% | 15% |
| Deliver an objective related to the internal performance reporting and management process | | |
| Deliver an objective related to the Group structure | | |
| Deliver an objective related to the impact of technology on the Group | | |
| Deliver a supply chain excellence objective | | |
| **J.D. Kemp** | 20% | 15% |
| Deliver a trading plan growth objective | | |
| Develop a plan related to the impulse channel | | |
| Deliver an objective related to digital strategy | | |
| Deliver an objective related to the commercial organisation | | |

**Annual bonus for 2023/24**

For the 2023/24 financial year 80% of bonus potential will be assessed against growth in adjusted Group profit before tax, which is an important indicator of the success of the Company's strategy. Performance targets will be set at challenging levels, with 50% of this element of the annual bonus being earned for on-target performance. The remainder of the annual bonus (20% of bonus potential) will be assessed against individual strategic objectives to align the reward structure with key strategic priorities and to encourage behaviours which facilitate profitable growth and the future development of the business. The actual performance targets are not disclosed as they are considered to be commercially sensitive at this time and should therefore remain confidential to the Company. The Remuneration Committee will continue to disclose how the bonus earned relates to performance against the targets on a retrospective basis meaning this information will be disclosed in the Annual Report on Remuneration for the year ending 28 January 2024.

# Directors' Remuneration Report continued

### Long term incentives – audited information

#### Awards vesting in respect of the financial period

LTIP awards granted in November 2020 were subject to the following EPS and TSR performance measures:

| | % of maximum opportunity | Threshold vesting at 20% of the maximum award | Maximum vesting at 100% of the maximum award | Actual cumulative EPS for period | Actual vesting (as a % of maximum for each measure) |
|---|---|---|---|---|---|
| Cumulative EPS for the period including 2020/21, 2021/22 and 2022/23 | 50% | 65.0p | 75.0p | 76.43p | 50.0% |
| TSR* for the period including 2020/21, 2021/22 and 2022/23 | 50% | Median | Upper quartile | – | 21.1% |

* Ranked TSR performance measured against the constituents of the FTSE 250 index (excluding investment trusts and financial services companies)

The salary used in the calculation of the award is the individual director's salary at 1 October 2020.

Details of LTIP awards vesting in respect of the financial period are set out below:

#### Year ended 29 January 2023

| Executive director | Total shares Number | Vesting (% of maximum opportunity) % | Shares awarded* Number | Share price** £ | LTIP value £000 |
|---|---|---|---|---|---|
| R.A. White | 133,899 | 71.1% | 99,802 | 5.07 | 506 |
| S. Lorimer | 92,174 | 71.1% | 68,702 | 5.07 | 348 |
| J.D. Kemp | 70,219 | 71.1% | 52,338 | 5.07 | 265 |
| **Total** | **296,292** | | **220,842** | | **1,119** |

* Shares vesting under the LTIP for the year ended 29 January 2023 include dividend equivalents from the award date for each director.

** The long term incentives figure for the year ended 29 January 2023 has been valued using the average closing share price for the three months ended 29 January 2023 as an estimate of the value of the incentive, as the actual value of the award will not be finalised until the closing share price is known when the incentive vests in November 2023.

An estimate of the amount of LTIP awarded in November 2020 attributable to share price appreciation is set out below:

| Executive director | Share price appreciation £000 |
|---|---|
| R.A. White | 157 |
| S. Lorimer | 108 |
| J.D. Kemp | 82 |
| **Total** | **347** |

**Awards granted during the financial period**

During the year ended 29 January 2023 the following LTIP awards were granted equating to 150% of salary:

| Executive director | Type of award | Number of shares | Share price at grant | Market value at grant £000 | % of award vesting at threshold % | Performance period Years (ends 26 January 2025) |
|---|---|---|---|---|---|---|
| R.A. White | LTIP award – nil cost option | 138,287 | 537p | 743 | 20.0 | 3 |
| S. Lorimer | LTIP award – nil cost option | 95,187 | 537p | 511 | 20.0 | 3 |
| J.D. Kemp | LTIP award – nil cost option | 72,513 | 537p | 389 | 20.0 | 3 |

The share price at grant is the five-day average of the middle-market closing share prices preceding the date of grant rounded down.

The salary used in the calculation of the award is the individual director's salary at 1 April 2022.

Vesting of the LTIP awards granted in the year ended 29 January 2023 will be based 60% on a cumulative EPS performance measure, 30% on a relative Total Shareholder Return ("TSR") performance measure and 10% on an Environmental Sustainability performance measure, as set out below:

(i) EPS performance measure (60% of LTIP award):

| | % linked to award | Threshold vesting at 20% of the maximum award | Maximum vesting at 100% of the maximum award |
|---|---|---|---|
| Cumulative EPS for the period including 2022/23, 2023/24 and 2024/25 | 60% | 86.6p | 95.7p |

There is straight-line vesting between these points and no reward below threshold EPS performance.

(ii) Ranked TSR performance measured against the constituents of the FTSE 250 index (excluding investment trusts and financial services companies) (30% of LTIP award):

| | % linked to award | Threshold vesting at 20% of the maximum award | Maximum vesting at 100% of the maximum award |
|---|---|---|---|
| TSR for the period including 2022/23, 2023/24 and 2024/25 | 30% | Median | Upper quartile |

There is straight-line vesting between these points and no reward below threshold TSR performance.

(iii) Environmental Sustainability performance measure (10% of LTIP award):

| | % linked to award | Threshold vesting at 20% of the maximum award | Maximum vesting at 100% of the maximum award |
|---|---|---|---|
| Science Based Target (carbon tonnes) for the period including 2022/23, 2023/24 and 2024/25 | 10% | 4,715 | 4,194 |

There is straight-line vesting between these points and no reward if the threshold Science Based Target is not met.

# **Directors' Remuneration Report** continued

**Long term incentives for 2023/24**

LTIP awards granted in 2023 will be granted with a maximum opportunity of 150% of basic salary for the executive directors. These LTIP awards will be based 60% on a cumulative EPS performance measure, 30% on a relative TSR performance measure and 10% on an Environmental Sustainability performance measure for 2023/24, 2024/25 and 2025/26.

EPS is a key performance indicator for the Company and shareholders, and remains a highly credible measure of long term performance.

TSR is a relative performance measure which creates strong alignment between the executive directors and shareholders. The TSR performance of the Company will be compared over the three years to the TSR of the FTSE 250 index (excluding financial services). 20% of the maximum award will vest for achieving threshold performance and 100% of the maximum award will vest for achieving maximum performance. There will be straight-line vesting between the points and no vesting below threshold performance.

The Environmental Sustainability performance measure for the LTIP awards granted in 2023 will be based around the Group's No Time To Waste environmental sustainability programme.

The EPS targets are considered commercially sensitive at this time on the basis that they give competitors insight into the Company's longer term forecasts which the Board considers confidential. The EPS targets will be disclosed in next year's Annual Report on Remuneration. Significant uncertainty for UK focused consumer group businesses remains, therefore setting a three year forward looking cumulative EPS target is challenging. However, the Remuneration Committee is confident that the target range selected is appropriately stretching and will help the Group drive growth in shareholder earnings. The EPS targets have been set specifically not taking into account the future impact of the introduction of the Deposit Return Scheme ("DRS") in Scotland from August 2023. The overall impact of the DRS is very challenging to assess with acceptable accuracy at this early stage. The Remuneration Committee has resolved to monitor the impact of the DRS post its implementation with the expectation that the EPS targets set in 2023 will be adjusted during the vesting period to enable the DRS impact to be included in the targets prior to the vesting date.

**Total pension entitlements – audited information**

Executive directors are all members of the A.G. BARR p.l.c. (2008) Pension and Life Assurance Scheme (the "2008 Scheme") or the A.G. Barr Retirement Plan. The 2008 Scheme has a defined benefit section and a defined contribution section. The defined benefit section was closed to new entrants from 14 August 2003 and to future accrual from 1 May 2016. All assets held in the defined contribution section of the 2008 Scheme were transferred to the A.G. Barr Retirement Plan in September 2021. R.A. White is a deferred member of the defined benefit section of the 2008 Scheme and ceased his accrual on 5 April 2011.

The movement in value of executive director pensions (which exclude any pension contributions made in respect of an individual under the Company's salary sacrifice arrangement) are detailed in the following table. This movement is made up of Company pension contributions, changes in the value of defined benefit pension scheme accrual and pension cash equivalents:

Year ended 29 January 2023

| Executive director | Defined benefit accrual £000 | Pension cash equivalent £000 | Total £000 |
|---|---|---|---|
| R.A. White | 157 | 112 | 269 |
| S. Lorimer | – | 77 | 77 |
| J.D. Kemp | – | 57 | 57 |
| **Total** | **157** | **246** | **403** |

Details of the entitlement accruing to the director who is a deferred member of the defined benefit section are detailed in the table below:

| | Accrued pension at 29 January 2023 £000 | Normal retirement age |
|---|---|---|
| R.A. White | 92 | 63* |

* The normal retirement age specified in the 2008 Scheme rules for R.A. White is age 63, however he is also entitled under the 2008 Scheme rules to retire at age 60 without an actuarial reduction to his pension benefits and without any consent required.

Early retirement can be taken at age 55 subject to Trustee consent. The accrued pension would be reduced relative to age 60 to take account of its early payment.

R.A. White ceased his accrual under the defined benefit plan on 5 April 2011. Under the terms of his service contract, R.A. White is entitled to revaluation of his deferred benefits in line with RPI until his normal retirement date. The rules of the 2008 Scheme provide for revaluation increases in deferment in line with CPI. R.A. White elected for Fixed Protection 2012 to protect his benefits accrued under the 2008 Scheme. To enable R.A. White to continue to benefit from Fixed Protection 2012, his deferred benefits were re-valued in line with CPI and, to the extent that RPI exceeds CPI in any year, a corresponding additional contribution is paid to R.A. White in cash. In addition, R.A. White will continue to be entitled to receive life assurance benefits as if he were in pensionable service under the 2008 Scheme until his normal retirement date notwithstanding the termination of his employment with the Company, but only in circumstances where he is a "good leaver".

Dependants of the executive directors are eligible for dependants' pensions and the payment of a lump sum in the event of death in service. Where the 2008 Scheme provides a pension on a defined benefit basis, final pensionable salary is used to determine the director's pension entitlement. Where benefits are provided on a defined contribution basis, the benefits depend on the director's accumulated fund. Lump sum life assurance cover is provided at five or eight times pensionable salary dependent upon the date of joining the 2008 Scheme.

No contributions were paid to the defined contribution section of the 2008 Scheme or the A.G. Barr Retirement Plan during the years ended 29 January 2023 or 30 January 2022.

All directors have elected to receive Company pension contributions in the form of a cash allowance. R.A. White, S. Lorimer and J.D. Kemp receive a cash allowance equal to their contractual pension provision of 24% of salary.

**Payments to past directors – audited information**
There were no payments made to past directors during the year in respect of services provided to the Company as a director.

**Payments for loss of office – audited information**
No payments for loss of office were made during the year.

**Statement of directors' shareholding and share interests – audited information**
The Remuneration Committee updated its share ownership guidelines applicable from 2020/21 and the CEO and other executive directors are required to build a shareholding equal to 200% and 150% of gross basic salary respectively. Until this guideline is met, executive directors are required to retain all vested shares from the LTIP and half of any bonus pay-out after tax to purchase shares in the Company. The full policy is disclosed in the Remuneration Policy approved by shareholders at the 2020 AGM.

For the purposes of assessing the extent to which the share ownership guidelines have been met by the executive directors, the following shares are included: wholly owned shares (including those owned by a director's spouse), LTIP shares that are in the holding period, and unvested deferred bonus shares provided there are no further performance conditions. At the year end, R.A. White and J.D. Kemp met the respective 200% and 150% of gross basic salary requirement applicable for the year ended 29 January 2023, with shareholdings equal to 411% and 328% of gross basic salary as at 29 January 2023 respectively. S. Lorimer was appointed to the Board on 5 January 2015 and is currently required to build up a shareholding equal to 150% of his gross basic salary. S. Lorimer's shareholding was equal to 111% of gross basic salary as at 29 January 2023. In accordance with the Remuneration Policy, S. Lorimer is required to retain all net shares (after tax) acquired from the exercise of LTIP awards and half of his net bonus pay-out (after tax) to purchase shares in the Company; the latter requirement will be net of the 20% of S Lorimer's bonus which will be deferred into shares for two years referred to above.

# **Directors' Remuneration Report** continued

The interests of each executive director of the Company as at 29 January 2023 (including those held by their connected persons) were as set out below. There were no changes to these interests between 29 January 2023 and 27 March 2023 with the exception of the following changes: an increase in R.A. White's holding of 82 shares, an increase in S. Lorimer's holding of 83 shares and an increase in J.D. Kemp's holding of 82 shares.

| | | | | | Unvested | | |
|---|---|---|---|---|---|---|---|
| Director | Type | Owned outright | Exercised during the year | Lapsed during the year | Subject to performance conditions | Not subject to performance conditions | Total as at 29 January 2023 |
| **Executive** | | | | | | | |
| R.A. White | Shares | 376,426 | – | – | – | – | 376,426 |
| | LTIP share options | – | – | (72,686) | 415,523 | – | 415,523 |
| | SAYE options | – | – | – | – | 3,925 | 3,925 |
| | AESOP matching shares | – | (97) | – | – | 786 | 786 |
| S. Lorimer | Shares | 63,828 | – | – | – | – | 63,828 |
| | LTIP share options | – | – | (42,946) | 286,024 | – | 286,024 |
| | ESOS share options | – | – | (2,222) | – | – | – |
| | SAYE options | – | – | – | – | 3,925 | 3,925 |
| | AESOP matching shares | – | (97) | – | – | 785 | 785 |
| | Shares – connected persons' holding* | – | – | – | – | – | 749,326 |
| J.D. Kemp | Shares | 156,523 | – | – | – | – | 156,523 |
| | LTIP share options | – | – | (38,114) | 217,893 | – | 217,893 |
| | SAYE options | – | – | – | – | 3,925 | 3,925 |
| | AESOP matching shares | – | (98) | – | – | 785 | 785 |
| **Non-executive** | | | | | | | |
| W.R.G. Barr | Shares | 7,516,326 | – | – | – | – | 7,516,326 |
| | Shares – connected persons' holding** | – | – | – | – | – | 9,460,507 |
| D.J. Ritchie | Shares | 1,000 | – | – | – | – | 1,000 |
| N.B.E. Wharton | Shares | 1,597 | – | – | – | – | 1,597 |
| Z.L. Howorth | Shares | 5,631 | – | – | – | – | 5,631 |
| M. Allen | Shares | 10,000 | – | – | – | – | 10,000 |

* S. Lorimer's connected persons' shareholding includes shares related to his position as director of Robert Barr Ltd, the trustee of various employee benefit trusts.
** W.R.G. Barr's connected persons' shareholding includes shares related to his position as trustee of various family and charitable trusts.

The "Owned outright" shares set out in the table above are the shares owned outright by the directors. These include any AESOP free shares awarded during the year and any shares retained during the year following the exercise of LTIP awards and SAYE options.

The number of AESOP free shares awarded and share options exercised under the LTIP and SAYE in the year are included in the "Exercised during the year" column.

The table below shows the directors' total shareholdings split between those with and without performance conditions. The non-executive directors' shareholdings above are all shares with no performance conditions.

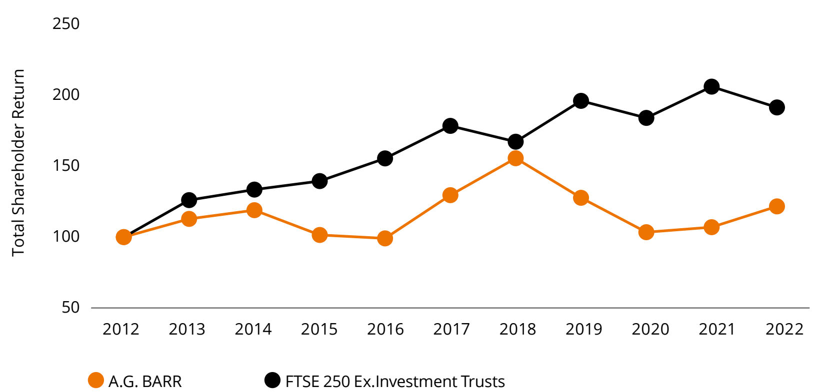
| Executive director | Shares – no performance conditions | Share options – performance conditions | Share options – no performance conditions | Total shares/ share options |
|---|---|---|---|---|
| R.A. White | 377,212 | 415,523 | 3,925 | 796,660 |
| S. Lorimer | 64,613 | 286,024 | 3,925 | 354,562 |
| J.D. Kemp | 157,308 | 217,893 | 3,925 | 379,126 |

There were no shares vested and unexercised as at 29 January 2023.

The following sections of the Remuneration Report are not subject to audit.

**Performance graph and table**

The graph below shows the Company's Total Shareholder Return ("TSR") performance against the FTSE 250 excluding investment trusts over the past ten years. In the opinion of the Board, the FTSE 250 excluding investment trusts is the most appropriate index against which the TSR of the Company should be measured because it represents a broad equity market index of which the Company is a constituent member and reflects the Company's scale and complexity of operations.



# **Directors' Remuneration Report** continued

### CEO remuneration for previous ten years

The table below shows details of the total remuneration, annual bonus and LTIP paid out for R.A. White over the last ten financial years:

| | Total remuneration* £000 | Annual bonus as a % of maximum opportunity | LTIP as a % of maximum opportunity |
|---|---|---|---|
| Year ended 29 January 2023 | 1,781 | 75.0% | 71.1% |
| Year ended 30 January 2022 | 1,292 | 100.0% | 0.0% |
| Year ended 24 January 2021 | 710 | 0.0% | 0.0% |
| Year ended 25 January 2020 | 739 | 0.0% | 0.0% |
| Year ended 26 January 2019 | 1,434 | 91.0% | 39.9% |
| Year ended 27 January 2018 | 1,279 | 78.0% | 22.8% |
| Year ended 28 January 2017 | 915 | 23.0% | 40.0% |
| Year ended 30 January 2016 | 839 | 0.0% | 37.9% |
| Year ended 25 January 2015 | 1,075 | 75.5% | 31.9% |
| Year ended 26 January 2014 | 989 | 57.8% | 38.2% |

### Percentage change in director remuneration

The table below sets out, in relation to salary, taxable benefits (car allowance, fuel benefit) and annual bonus, the increase between the pay for the years ended 25 January 2020 through to the pay for the year ended 29 January 2023 for the executive and non-executive directors compared to the wider workforce. For these purposes, the wider workforce includes all Group employees who were continuously employed by the Group during the four years ended 29 January 2023 but excludes executive and non-executive directors.

#### Year ended 29 January 2023

| | Salary Jan23* £000 | Benefits Jan 23 £000 | Annual bonus Jan 23 £000 | Salary Jan 22 £000 | Benefits Jan 22 £000 | Annual bonus Jan22 £000 | Salary Jan 21 £000 | Benefits Jan 21 £000 | Annual bonus Jan 21 £000 | Salary Jan 20 £000 | Benefits Jan 20 £000 | Annual bonus Jan 20 £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| R.A. White | 3.3% | 5.1% | (22.9%) | 8.0% | 21.2% | 100.0% | (4.3%) | (8.5%) | -% | 1.8% | -% | (100.0%) |
| S. Lorimer | 1.5% | -% | (22.8%) | 19.5% | (30.8%) | 100.0% | 0.8% | 4.4% | -% | 1.8% | (67.9%) | (100.0%) |
| J.D. Kemp | 1.2% | (17.4%) | (22.9%) | 6.5% | (4.2%) | 100.0% | (4.4%) | -% | -% | 2.1% | -% | (100.0%) |
| M. Allen | 389.7% | -% | -% | 100.0% | -% | -% | -% | -% | -% | -% | -% | -% |
| W.R.G. Barr | 2.0% | -% | -% | 6.8% | -% | -% | (5.0%) | -% | -% | 2.1% | -% | -% |
| S.V. Barratt | 1.9% | -% | -% | 7.4% | -% | -% | (1.7%) | -% | -% | 2.1% | -% | -% |
| Z.L. Howorth | 65.5% | -% | -% | 100.0% | -% | -% | -% | -% | -% | -% | -% | -% |
| D.J. Ritchie | 1.7% | -% | -% | 6.6% | -% | -% | (5.0%) | -% | -% | 1.8% | -% | -% |
| N.B.E. Wharton | 1.7% | -% | -% | 10.4% | -% | -% | 6.7% | -% | -% | 38.3% | -% | -% |
| Wider workforce** | 3.0% | -% | (32.8%) | 1.8% | -% | 199% | -% | -% | 100.0% | 2.0% | -% | (100.0%) |

* The annual percentage change in salary is calculated by reference to actual salary paid for the financial year ended 29 January 2023 compared to financial year ended 30 January 2022.

** Wider workforce salary changes are based on average % increase across the year. Bonuses are based on movement in annual bonuses accrued.

**CEO Pay Ratio**

The table below sets out the ratio of the A.G. BARR p.l.c. CEO single total figure of remuneration for 2022 (as detailed on page 92) as a ratio of the equivalent single figure for the lower quartile, median and upper quartile UK employee (calculated on a full-time equivalent basis).

| Total pay ratio | Method | 25th Percentile | Median Percentile | 75th Percentile |
|---|---|---|---|---|
| Year ended 29 January 2023 | B | 56:1 | 45:1 | 32:1 |
| Year ended 30 January 2022 | B | 42:1 | 34:1 | 23:1 |
| Year ended 24 January 2021 | B | 25:1 | 21:1 | 16:1 |
| Year ended 25 January 2020 | B | 27:1 | 22:1 | 16:1 |

As is permitted by the legislation, and consistent with last year, we have calculated the ratio using Option B whereby representative employees are identified using the latest A.G. BARR p.l.c. gender pay gap statistics as this was the most pragmatic approach and believed to produce representative results. A number of employees around the 25th, 50th and 75th percentile were identified and their total pay and benefits calculated to ensure that the most representative employees were selected. Employee pay for the representative employees was calculated on the same basis as the CEO and so includes items such as short-term and long-term incentive payments relating to the financial year ending 29 January 2023. The calculations have assumed that a full-time equivalent week consists of 37.5 working hours.

The regulations require the total pay and benefits and the salary component of total pay and benefits to be set out as follows:

| | Base salary | Total pay and benefits |
|---|---|---|
| CEO remuneration | £503,000 | £1,781,000 |
| 25th percentile employee | £21,349 | £31,748 |
| Median percentile employee | £32,008 | £39,785 |
| 75th percentile employee | £46,423 | £56,521 |

A.G. BARR p.l.c.'s principles for pay setting and progression in our wider workforce are the same as for our executives – total reward being sufficiently competitive to attract and retain high calibre individuals without over-paying and providing the opportunity for individual development and career progression. The pay ratios reflect how remuneration arrangements differ as accountability increases for more senior roles within the organisation and in particular the ratios reflect the weighting towards long-term value creation and alignment with shareholder interests for the CEO. We are satisfied that the median pay ratio voluntarily reported this year is consistent with our wider pay, reward and progression policies for employees. The median reference employee has the opportunity for annual pay increases, annual performance payments and career progression and development opportunities.

**Relative importance of spend on pay**

The following table sets out the percentage change in dividends and the overall expenditure on pay (as a whole across the organisation).

| Percentage change | Year ended 30 January 2022 £000 | Year ended 29 January 2023 £000 | % change |
|---|---|---|---|
| Dividends | 13,365 | 13,922 | 4.2% |
| Overall expenditure on pay | 45,400 | 50,200 | 10.6% |

# **Directors' Remuneration Report** continued

### The Remuneration Committee

The following directors were members of the Remuneration Committee during the year: D.J. Ritchie (Chair), S.V. Barratt and Z.L. Howorth.

M. Allen, in his role as Chair, is invited to attend the Remuneration Committee meetings on some occasions and to provide guidance on behalf of the Board as required. During the year, the Remuneration Committee received advice from R.A. White (CEO) in respect of the remuneration of the other executive directors, who was not in attendance when his own remuneration was being discussed. The Remuneration Committee received assistance from J.A. Barr (Company Secretary), who acts as secretary to the Remuneration Committee, and from other members of management, who may attend meetings by invitation, except when matters relating to their own remuneration are being discussed.

The Remuneration Committee meets at least twice a year and is responsible for determining, within agreed terms of reference, all aspects of the remuneration of the executive directors, the Executive Committee and such other members of senior management as it is designated to consider. The Remuneration Committee reviews the remuneration trends, pay levels and employment conditions across the Group. The Remuneration Committee is also responsible for determining the remuneration of the Chair of the Company.

The Remuneration Committee recognises the importance of culture and effective employee engagement in the creation of a good workplace. Workforce engagement sessions are held during the year, led by the Board's designated workforce engagement director. The topic regarding how executive directors' remuneration aligns with wider Company pay policy – in terms of governance, structure and quantum – is included as a specific discussion item at workforce engagement sessions at least once per annum; during the year this topic was discussed at the workforce engagement session held in November 2022. The Board receives regular updates on workforce engagement throughout the year. Further information on employee engagement is included in the Corporate Governance Report on pages 78 and 79.

The Remuneration Committee carried out an externally facilitated review of its performance and effectiveness during the year. This review included a detailed and comprehensive evaluation of the performance and effectiveness of the Remuneration Committee using written survey questionnaires, which were completed by members of the Remuneration Committee and the Company Secretary. The results of the evaluation were shared with the Remuneration Committee. Overall, the review found that the Remuneration Committee was functioning in an effective manner and performing satisfactorily, with no major issues identified.

### Key activities in the year

The Remuneration Committee met four times during the financial year. Key activities are shown below:

- Undertook a review of the existing Remuneration Policy at the required three-year point, assessed the appropriateness of the Policy and agreed to recommend proposed changes to the Policy to shareholders for approval at the 2023 AGM;
- Consulted with major shareholders in relation to the proposed changes to the Remuneration Policy and considered feedback received in response thereto;
- Undertook a review of the existing LTIP rules, assessed the appropriateness of the rules and agreed to recommend updated LTIP rules to shareholders for approval at the 2023 AGM;
- Consulted and engaged with relevant shareholders who were unable to support the resolution to approve the Directors' Remuneration Report put to shareholders at the 2022 AGM to understand their views;
- Reviewed remuneration trends, pay levels and employment conditions across the Company;
- Reviewed and set annual salaries for the executive directors, divisional directors and Executive Committee consistent with the wider workforce;
- Set targets for the annual bonus for the executive directors, divisional directors and the Executive Committee;
- Reviewed and approved the grant of LTIP awards to the executive directors and the divisional directors;
- Set targets for the LTIP for the executive directors and a divisional director;
- Considered performance measures for the LTIP awards to be granted in the following year;
- Reviewed and approved a proposal in principle to introduce LTIP awards for level 1 employees with effect from 2023;
- Reviewed and set annual fees for the Chair of the Company;
- Reviewed achievement against targets set and determined the appropriate level of pay-out for the annual bonus for the executive directors, divisional directors and the Executive Committee in the context of wider business performance;
- Reviewed achievement against targets set and determined the appropriate level of pay-out for the LTIP for the executive directors in the context of wider business performance;

- Received status updates on in-flight LTIP awards;
- Reviewed and recommended the Directors' Remuneration Report for the year ended 30 January 2022 to the Board for approval;
- Reviewed the executive directors' shareholdings against shareholding guidelines;
- Reviewed market and corporate governance updates to ensure the Remuneration Committee remained up to date on the quickly evolving governance landscape and best practice;
- Reviewed the Remuneration Committee's terms of reference; and
- Review the Remuneration Committee's performance and effectiveness during the year.

The terms of reference of the Remuneration Committee are available on the Company's website, www.agbarr.co.uk.

**External adviser**
During the year, the Remuneration Committee was assisted in its work by the following external consultants:

| Adviser | Details of appointment | Services provided by the Adviser | Fees paid by the Company for advice to the Remuneration Committee and basis of charge | Other services provided to the Company in the year ended 29 January 2023 |
|---|---|---|---|---|
| PricewaterhouseCoopers LLP ('PwC') | Appointed by the Remuneration Committee in January 2022 following a competitive tender process. | Assistance with the review of the Directors' Remuneration Policy<br>Assistance with the review of the LTIP rules.<br>Assistance with the preparation of the Directors' Remuneration Report.<br>Attendance at Remuneration Committee meetings.<br>Advice on market practice developments in executive pay. | £57,000<br>Charged on a retainer and time/cost basis. | Consulting services to management |

The Remuneration Committee is satisfied that all advice received was objective and independent. PwC is a member of the Remuneration Consultants Group and, as such, voluntarily operate under the Code of Conduct in relation to executive remuneration consulting in the UK.

**Statement of voting at last AGM**
The following table sets out actual voting in respect of the resolutions to approve the 2022/22 Annual Report on Remuneration at the Company's AGM on 27 May 2022 ('2022 AGM') and the Remuneration Policy at the Company's AGM on 25 June 2020.

| Resolution | Votes for | % of vote | Votes against | % of vote | Votes withheld |
|---|---|---|---|---|---|
| Approve Annual Report on Remuneration | 57,671,927 | 73.29% | 21,017,122 | 26.71% | 1,956 |
| Approve Remuneration Policy | 64,446,604 | 91.20% | 6,216,945 | 8.80% | 2,039,440 |

As noted above, at the 2022 AGM the resolution to approve the Directors' Remuneration Report was passed with 73.29% votes in favour. As stated in the announcement published on the date of the 2022 AGM, the Board subsequently consulted and engaged with its largest shareholders who were unable to support the resolution to understand their views. An update statement was published on 27 September 2022, which noted that the primary concern raised by shareholders related to the structure and performance targets in relation to the 2021 long-term incentive arrangements – these were specific to the exceptional circumstances caused by the Covid pandemic and will not be repeated under normal circumstances. The Board is grateful to those shareholders who took part in the engagement process and values the feedback provided. The Committee will continue to engage with its largest shareholders on executive directors' remuneration going forward. This statement is provided in accordance with Provision 4 of the Code.

# **Directors' Remuneration Report** continued

## Additional information

### Executive directors' interests in the LTIP

The individual interests of the executive directors under the LTIP are as follows:

| LTIP director | Date of award | At 30 January 2022 Number | Awarded Number | Vested Number | Lapsed Number | At 29 January 2023 Number | Exercisable from |
|---|---|---|---|---|---|---|---|
| R.A. White | 04 April 2019 | 72,686 | – | – | (72,686 ) | – | 04 April 2022 |
| | 02 November 2020 | 133,899 | – | – | – | 133,899 | 02 November 2023 |
| | 12 April 2021 | 143,337 | – | – | – | 143,337 | 12 April 2024 |
| | 11 April 2022 | – | 138,287 | – | – | 138,287 | 11 April 2025 |
| S. Lorimer | 04 April 2019 | 42,946 | – | – | (42,946) | – | 04 April 2022 |
| | 02 November 2020 | 92,174 | – | – | – | 92,174 | 02 November 2023 |
| | 12 April 2021 | 98,663 | – | – | – | 98,663 | 12 April 2024 |
| | 11 April 2022 | – | 95,187 | – | – | 95,187 | 11 April 2025 |
| J.D. Kemp | 04 April 2019 | 38,114 | – | – | (38,114) | – | 04 April 2022 |
| | 02 November 2020 | 70,219 | – | – | – | 70,219 | 02 November 2023 |
| | 12 April 2021 | 75,161 | – | – | – | 75,161 | 12 April 2024 |
| | 11 April 2022 | – | 72,513 | – | – | 72,513 | 11 April 2025 |

### Executive directors' interests in the Executive Share Option Scheme ('ESOS')

The individual interests of the executive directors under the ESOS are as follows:

| ESOS director | Date of award | At 30 January 2022 Number | Awarded Number | Vested Number | Lapsed Number | At 29 January 2023 Number | Exercisable from |
|---|---|---|---|---|---|---|---|
| S. Lorimer | 04 April 2019 | 2,222 | – | – | (2,222) | – | 04 April 2022 |

### Executive directors' interests in the SAYE

The individual interests of the executive directors under the SAYE scheme are as follows:

| SAYE director | At 30 January 2022 Number | Granted Number | Exercised Number | Lapsed Number | At 29 January 2023 Number | Option price Pence | Exercisable from |
|---|---|---|---|---|---|---|---|
| R.A. White | 3,925 | – | – | – | 3,925 | 469 | 01 July 2024 |
| S. Lorimer | 3,925 | – | – | – | 3,925 | 469 | 01 July 2024 |
| J.D. Kemp | 3,925 | – | – | – | 3,925 | 469 | 01 July 2024 |

## Approval

This report was approved by the Board and signed on its behalf by

**David J. Ritchie**
Chair of the Remuneration Committee
28 March 2023

## Directors' Remuneration Policy

This part of the report sets out the Company's Directors' Remuneration Policy (the "Policy") which will be put to a shareholder vote at the 2023 AGM and, subject to shareholder approval, will become effective for three years from the close of that meeting. The Policy for the executive directors has been determined by the Remuneration Committee.

Certain minor changes have been made to the Policy to create better alignment with UK corporate governance best practice. This includes changes to the pension provision for new executive directors in order to align contribution levels with the wider workforce. Otherwise, the Policy remains broadly the same as that approved by shareholders at the 2020 AGM.

### Key changes to existing Policy

The table below highlights the key changes between the previously approved Remuneration Policy and the Policy being presented at the 2023 AGM.

| Element | Proposed changes to current Policy |
|---|---|
| Pension | New executive directors joining the Company from 1 January 2023 will receive pension allowances in line with the contribution levels available to the wider workforce. |
| Annual bonus | Increase in existing two-year deferral applied to any bonus paid from 20% to 25%. This change in deferral will apply to bonuses paid in respect of the 2023/24 financial year and beyond.<br>Extension of malus and clawback triggers (see below). |
| Long-term incentive Plan ("LTIP") | All LTIP awards granted after the 2023 AGM will be subject to a holding period of two years post vesting. Under the current Policy the post vesting holding period of two years only applies where an individual's shareholding is below 300% of salary.<br>Extension of malus and clawback triggers (see below). |
| In-position shareholding requirement | For all new executive director appointments, the shareholding requirement will be set at 200% of salary (currently 150% of salary for executive directors, excluding the CEO where the requirement is already 200%). |
| Post-employment shareholding requirement | For all new executive director appointments, the post-employment shareholding requirement will be set at the lower of their shareholding at their point of departure and their in-position shareholding requirement for a period of two years. Under the current Policy, the requirement applies for a period of one year. |
| Malus and clawback | Malus and clawback triggers extended beyond the current misstatement and misconduct triggers to align with latest governance guidelines. |

# Directors' Remuneration Report continued

### Executive directors

The table below describes each of the elements of the remuneration package for the executive directors:

| Element | Purpose and link to strategy | Operation | Maximum opportunity | Performance measures |
|---|---|---|---|---|
| **Base salary** | Core element of fixed remuneration, reflecting the size and scope of the role.<br><br>Purpose is to recruit and retain directors of the calibre required for the Company. | Usually reviewed annually.<br><br>Salary levels are determined by the Remuneration Committee taking into account a range of factors including:<br>• role, experience and individual performance;<br>• pay for other employees in the Group;<br>• prevailing market conditions; and<br>• external benchmarks for similar roles at comparable companies. | Although there is no overall maximum, salary increases are normally reviewed in the context of the salary increases across the wider Group.<br><br>The Remuneration Committee may award salary increases above this level to take account of individual circumstances such as:<br>• increase in scope and responsibility;<br>• increase to reflect the executive director's development and performance in the role; or<br>• alignment to market level. | Not applicable. |
| **Benefits** | Ensures the overall package is competitive.<br><br>Purpose is to recruit and retain directors of the calibre required for the Company. | Executive directors receive benefits in line with market practice, which may include, for example, a car allowance or provision of a company car, a biennial health check, private medical insurance, life assurance and the ability to "buy" or "sell" holidays under the Company's flexible benefits plan.<br><br>Other benefits may be provided based on individual circumstances. These may include, for example, relocation and travel allowances. | Whilst the Remuneration Committee has not set an absolute maximum on the levels of benefits executive directors receive, the value of the benefit is at a level which the Remuneration Committee considers appropriate against the market and provides a sufficient level of benefit based on individual circumstances. | Not applicable. |
| **Annual bonus** | Rewards performance against annual targets which support the strategic direction of the Group. | Awards based on performance against key financial and/or strategic targets and/or the delivery of personal objectives.<br><br>Pay-out levels are determined by the Remuneration Committee after the year end based on performance against those targets.<br><br>The Remuneration Committee has discretion to amend the bonus pay-out if, in its judgement, any formulaic output does not produce a fair result for either the executive director or the Company, taking into account overall business performance. | Maximum bonus opportunity is 125% of base salary. | Targets are set annually reflecting the Company's strategy and aligned with key financial, strategic and/or individual objectives.<br><br>Targets, whilst stretching, do not encourage inappropriate business risks to be taken. |

| Element | Purpose and link to strategy | Operation | Maximum opportunity | Performance measures |
| --- | --- | --- | --- | --- |
| **Annual bonus** continued | | 25% of any bonus earned will be deferred into shares for two years.<br><br>At any time before the deferred bonus shares are released, the Remuneration Committee has the right to cancel the award if it has not been exercised, or require repayment of some or all of the award in the following circumstances:<br>• discovery of a material misstatement;<br>• error, or inaccurate or misleading information;<br>• action or conduct of a participant which amounts to fraud or gross misconduct;<br>• regulatory censure or reputational damage;<br>• material failure of risk management; and<br>• corporate failure.<br><br>For up to two years following the determination of a bonus pay-out, the Remuneration Committee has the right to recover some or all of the bonus pay-out in the circumstances set out above. The Remuneration Committee may make a dividend equivalent payment ("Dividend Equivalents") to reflect dividends that would have been paid over the period from grant to vesting on shares that vest. This payment may be in the form of additional shares or a cash payment equal to the value of those additional shares. | | At least 80% of the bonus is assessed against key financial performance metrics of the business and the balance may be based on non-financial strategic measures and/or individual performance.<br><br>**Financial metrics**<br>There is no minimum payment at threshold performance, up to 50% of the maximum potential for this element of the bonus will be paid out for on-target performance and all of the maximum potential will be paid out for maximum performance.<br><br>**Non-financial or individual metrics**<br>Payment of the non-financial or individual metrics will apply on a scale between 0% and 100% based on the Remuneration Committee's assessment of the extent to which a non-financial or individual performance metric has been met. |

# **Directors' Remuneration Report** continued

| Element | Purpose and link to strategy | Operation | Maximum opportunity | Performance measures |
|---|---|---|---|---|
| **Long Term Incentive Plan ("LTIP")** | Incentivises executive directors over the longer term and aligns their interests with those of shareholders. | Under the LTIP, awards of conditional shares or nil cost share options may be made with vesting dependent on the achievement of performance conditions set by the Remuneration Committee, normally over a three year performance period. Awards granted over shares may be settled in cash at the election of the Remuneration Committee.<br><br>As described on page 120, awards may also vest in "good leaver" circumstances or on the death of a participant or on a change of control.<br><br>All awards made under the LTIP will be subject to a two year post-vesting holding period.<br><br>For up to two years following the vesting date of an award, the Remuneration Committee has the right to cancel the award if it has not been exercised, or require repayment of some or all of the award, in the following circumstances:<br>• discovery of a material misstatement;<br>• error, or inaccurate or misleading information;<br>• action or conduct of a participant which amounts to fraud or gross misconduct;<br>• regulatory censure or reputational damage;<br>• material failure of risk management; and<br>• corporate failure.<br><br>The Remuneration Committee has the right to reduce or cancel unvested awards and/or delay their vesting in the circumstances set out above. | The normal maximum award is 150% of annual base salary in respect of a financial year. Under the LTIP rules the overall maximum opportunity that may be granted in respect of a financial year will be 200% of annual base salary. The normal maximum award limit will only be exceeded in exceptional circumstances such as the recruitment or retention of a senior employee. | The vesting of awards is subject to the satisfaction of performance targets set by the Remuneration Committee.<br><br>The performance measures are reviewed regularly to ensure they remain relevant but will be based on key financial and/or strategic and/or total shareholder return related measures. The relevant metrics and the respective weightings may vary each year based upon Company strategic priorities.<br><br>Performance measures and weightings will be set out in the Annual Report on Remuneration for the relevant financial year, typically including a split of key financial and/or strategic and/or total shareholder return related measures.<br><br>For achievement of threshold performance 20% of the maximum opportunity will vest.<br><br>There will usually be straight line vesting between threshold and maximum performance. |

| Element | Purpose and link to strategy | Operation | Maximum opportunity | Performance measures |
|---|---|---|---|---|
| **Long Term Incentive Plan ("LTIP")** continued | | The Remuneration Committee has discretion to amend the level of LTIP vesting if, in its judgement, any formulaic output does not produce a fair result for either the executive director or the Company, taking into account overall business performance.<br><br>The Remuneration Committee may make a dividend equivalent payment ("Dividend Equivalents") to reflect dividends that would have been paid over the period from grant to vesting on shares that vest. This payment may be in the form of additional shares or a cash payment equal to the value of those additional shares. | | |
| **All employee share schemes** | To encourage all employees to make a long-term investment in the Company's shares in a tax efficient way. | Executive directors are eligible to participate in a HMRC tax-advantaged All-Employee Savings Related Share Option Scheme ("SAYE") under which they make monthly savings over a period of three or five years linked to the grant of an option over the Company's shares with an option price which can be at a discount to the market value of shares on grant.<br><br>Executive directors are also eligible to participate in a HMRC tax-advantaged All-Employee Share Ownership Plan ("AESOP"). The executive directors may participate in all sections of the AESOP, being the partnership and matching shares section, the free share section and the dividend share section. | Participation limits are those set by the UK tax authorities from time to time. | Not applicable. |

# **Directors' Remuneration Report** continued

| Element | Purpose and link to strategy | Operation | Maximum opportunity | Performance measures |
|---|---|---|---|---|
| **Retirement benefits** | Purpose is to recruit and retain directors of the calibre required for the Company. Provides market competitive post-employment benefits (or cash allowance equivalent). | Executive directors are eligible to participate in the A.G. Barr Retirement Plan. There is also a closed A.G. BARR p.l.c. (2008) Pension and Life Assurance Scheme (the "Scheme"), which comprises a defined contribution section and a defined benefit section. The defined benefit section was closed to new entrants from 14 August 2003 and to future accrual from 1 May 2016. The defined contribution section was closed to new entrants and new contributions from 30 June 2021 and all assets held in the defined contribution section were transferred to the A.G. Barr Retirement Plan in September 2021.<br><br>Details of the entitlement accruing to the executive director who is a deferred member of the defined benefit section are set out in the table on page 98. The contributions paid to the A.G. Barr Retirement Plan in respect of the executive directors are disclosed on page 98.<br><br>Executive directors may elect to take a cash allowance instead of contributions into a pension plan. | For newly appointed executive directors joining after 1 January 2023, pension contribution levels will be aligned to the level available to the wider workforce (currently 8% of salary).<br><br>Incumbent executive directors will receive their current pension contribution of 24% of salary.<br><br>The Remuneration Committee has discretion to vary the delivery mechanism for retirement benefits, however the exercise of this discretion will not exceed the relevant limits above for the provision of executive directors' retirement benefits.<br><br>Incumbent executive director R.A. White ceased his accrual under the defined benefit section on 5 April 2011. For R.A. White, the Company's maximum contribution is 24% of salary plus any contractual entitlement in respect of a shortfall in his deferred pension revaluation as a consequence of Fixed Protection 2012.<br><br>The Company has closed the defined benefit section of the Scheme to new members and future accrual. The only executive director who is a deferred member will continue to receive benefits in accordance with the terms of the Scheme, subject to separately agreed contractual arrangements, including the arrangement summarised below: | Not applicable. |

| Element | Purpose and link to strategy | Operation | Maximum opportunity | Performance measures |
|---|---|---|---|---|
| **Retirement benefits** continued | | | R.A. White will continue to be entitled to receive life assurance benefits as if he were in pensionable service under the Scheme until his normal retirement date notwithstanding the termination of his employment with the Company, but only in circumstances where he is a "good leaver", as set out in his service contract.<br><br>The maximum Company contribution under the A.G. Barr Retirement Plan in respect of the remaining executive directors is 24% of salary. All executive directors have now elected to receive Company pension contributions in the form of a cash allowance. | |
| **Shareholding guidelines** | Purpose is to further align the executive directors' long term interests with those of shareholders. | **During employment**<br>The CEO and new executive directors must retain all shares acquired under LTIP awards and deferred bonus shares and retain half of any bonus pay-out after tax (net of the relevant deferred bonus shares) to purchase shares in the Company until the value of their shareholding is equal to 200% of gross basic salary. Incumbent executive directors (other than the CEO) must retain all shares acquired under LTIP awards and deferred bonus shares and retain half of any bonus pay-out after tax (net of the relevant deferred bonus shares) to purchase shares in the Company until the value of their shareholding is equal to 150% of gross basic salary.<br><br>Until the relevant shareholding is acquired, the executive director may not, without Remuneration Committee approval, sell shares other than to finance any tax liabilities arising from the vesting or release of awards. | Not applicable. | Not applicable. |

# **Directors' Remuneration Report** continued

| Element | Purpose and link to strategy | Operation | Maximum opportunity | Performance measures |
|---|---|---|---|---|
| **Shareholding guidelines** continued | | **Post-employment**<br>Newly appointed executive directors must retain for two years post-employment any shareholding arising from shares awarded/vesting from both the deferred bonus and LTIP, up to the above shareholding guidelines.<br><br>Incumbent executive directors must retain for one year post-employment any shareholding arising from shares awarded/vesting from both the deferred bonus and LTIP after 26 January 2020, up to the above shareholding guidelines. | | |

## Chair and non-executive directors

The table below sets out an overview of the remuneration of non-executive directors:

| Purpose and link to strategy | Approach of the Company |
|---|---|
| Fees are the sole element of remuneration provided to non-executive directors in relation to the fulfilment of this role. Fees are set at a level that reflects market conditions and is sufficient to attract individuals with appropriate knowledge and expertise. | Fees are normally reviewed annually.<br><br>The remuneration of the Chair is determined by the Remuneration Committee. Fees are set at a level which reflects the skill, knowledge and experience of the individual, whilst taking into account appropriate market positioning.<br><br>The Board is responsible for setting the fees of the other non-executive directors. Fees may include a basic fee and additional fees for further responsibilities (for example, chairing of Board committees and senior independent directorship). Fees are set taking into account several factors, including the size and complexity of the business, appropriate market data and the expected time commitment and contribution for the role.<br><br>Non-executive directors, in their capacity as non-executive, do not participate in any of the Company's share schemes or bonus schemes nor do they receive any pension contributions. Non-executive directors may be eligible to receive benefits such as the use of secretarial support, travel costs (including any tax incurred on these costs) or other benefits that may be appropriate.<br><br>Actual fee levels are disclosed in the Directors' Annual Remuneration report for the relevant financial year.<br><br>Where an employee (other than an executive director) of the Company sits on the Board in an individual capacity, the fee they receive as a director shall be governed by this Remuneration Policy for non-executive director fees, but the Remuneration Policy does not apply to the pay and benefits they receive as a result of their employment. |

**Remuneration principles**

The Remuneration Committees approach to executive director Policy and practices is aligned to the Company's strategic objectives, shareholders' interests and the factors set out in Provision 40 of the 2018 UK Corporate Governance Code (the "Code"), with the aim of supporting the Company's strategy and promoting the long term sustainable success of the business.

The table below describes how the Remuneration Committee has addressed each of the factors set out in Provision 40 of the Code.

| Factor | How this has been addressed |
|---|---|
| **Clarity and simplicity** | The reward framework aims to embed transparency and simplicity in the Policy and remuneration practices. The Remuneration Committee consults with major shareholders in advance of key proposed changes to executive remuneration, for example when reviewing the Policy ahead of the 2023 AGM. Feedback from internal stakeholders and comments from the proxy voting agencies were also sought. The Remuneration Committee also engaged with independent external advisers to minimise the risk of any conflicts of interest. The Remuneration Committee strived to create a refreshed Policy which is clear and simple, aligned to Company culture, values and strategy and demonstrates strong corporate governance. It wants participants to be able to understand the Policy and have a clear line of sight between their decisions and behaviours and the effect that these decisions will have on the variable reward outcomes. Equally, it wants to ensure that reward for executive directors is straightforward for both shareholders and the wider workforce to understand.<br><br>The Company engages directly with the wider workforce on their remuneration through a variety of methods, including workforce engagement sessions, regular briefing sessions and the annual employee engagement survey. |
| **Risk** | The Remuneration Committee aims to ensure that there is an appropriate balance between risk and reward. The remuneration framework includes various features designed to mitigate reputational, behavioural and other risks, including:<br>– The Policy encourages directors to continue to take a long-term view when making decisions by increasing the level of share deferral for the annual bonus and applying a default holding period for vesting LTIP awards, increasing the shareholding guideline for new executive directors, and extending the post-employment shareholding requirement for new executive directors to ensure that their interests continue to be aligned to shareholders after they have left the business for longer.<br>– The Policy contains extended malus and clawback provisions which the Remuneration Committee can use in certain prescribed circumstances to recover amounts paid to directors or to cancel any unreleased share awards.<br>– The Remuneration Committee has broad discretion to override the formulaic outcomes of the variable rewards to ensure that payments to directors reflect the Company's performance in the round. |
| **Predictability** | The Policy sets out the potential award levels and vesting outcomes applicable to the annual bonus and long term incentive arrangements. Incentive awards are capped as a percentage of salary, which reduces the risk of any unanticipated pay outcomes. As set out above, the Remuneration Committee may apply malus, clawback and reasonableness discretion where appropriate. |
| **Proportionality** | The Policy was benchmarked against market practice by independent external advisers. Performance conditions for the annual bonus and long-term incentive arrangements require a threshold level of performance to be achieved before any pay-out is made. These performance conditions are set with the aim of ensuring that there is a clear link between individual awards and the delivery of the Company's long-term strategy and success of the business. |
| **Alignment to culture** | The Remuneration Committee is satisfied that the Company's incentive schemes are fit for purpose and continue to be aligned with Company strategy, through choosing performance metrics which reflect the Company's most important KPIs and are aligned with Company purpose, culture and values. |

# **Directors' Remuneration Report** continued

### Explanation of performance metrics chosen and the target setting process

Performance measures are selected that are aligned to the Company's strategy. Stretching performance targets are set each year for the annual bonus and LTIP awards. When setting these performance targets, the Remuneration Committee will take into account a number of different reference points, which may include the Company's business plans and strategy and the market environment. Full payment or vesting will only occur for what the Remuneration Committee considers to be stretching performance. Additionally, the Remuneration Committee has discretion to change formulaic outcomes to ensure that payments made through variable incentive plans are proportionate to the Company's overall performance.

The annual bonus performance targets have been selected to provide an appropriate balance between incentivising directors to meet financial targets for the year and achieving strategic and/or personal objectives. The Remuneration Committee also aims to make sure that targets are set in line with the Company's risk appetite so as to ensure that executive directors are not incentivised to take inappropriate risks.

The LTIP performance targets reflect the Company's strategic objectives and therefore the financial and strategic decisions which ultimately determine the success of the Company. The LTIP performance measures may be based on key financial and/or strategic and/or total shareholder return related measures. LTIP performance will normally be based on Earnings Per Share, which is a key measure of the Company's profitability, relative Total Shareholder Return to further strengthen the link between the interests of the executive directors and the shareholders and a performance measure aligned with Environmental Sustainability.

The Remuneration Committee retains the ability to adjust or set different performance measures if events occur (such as a change in strategy, a material acquisition and/or a divestment of a Group business or a change in prevailing market conditions) which cause the Remuneration Committee to determine that the alternative measures are more suitable either for a defined period or for the foreseeable future so that they achieve their original purpose.

Awards and options may be adjusted in the event of a variation of share capital in accordance with the Scheme rules.

### Policy for the remuneration of employees generally

Remuneration arrangements are determined throughout the Group based on the same principle that reward should be achieved for delivery of the business strategy and should be sufficient to attract and retain high calibre talent.

All employees are eligible to receive base salary, retirement benefits and other benefits based on role, seniority and location. The majority of employees are currently eligible to receive awards under an annual bonus plan, with only the most senior employees currently eligible to participate in the LTIP as set out below.

The annual bonus arrangements for the senior management team are similar to those for the executive directors in that targets are set annually dependent on financial and/or non-financial performance metrics. The key principles of the remuneration philosophy are applied consistently across the Group below this level, taking account of the seniority of employees.

### Approach to recruitment remuneration

The Policy aims to facilitate the appointment of individuals of sufficient calibre to lead the business and execute the strategy effectively for the benefit of shareholders. When appointing a new director, the Remuneration Committee seeks to ensure that arrangements are in the best interests of the Company and in line with market practice.

When agreeing the level of remuneration appropriate for the individual, the Remuneration Committee will take into consideration a number of relevant factors, which may include the calibre of the individual, the candidate's existing remuneration package, and the specific circumstances of the individual including the jurisdiction from which the candidate was recruited.

The Remuneration Committee will typically seek to align the remuneration package, including salary, benefits and pension, with the Policy (as set out in the Policy table). The maximum level of variable remuneration which may be granted (excluding buy-out awards referred to below) is 325% of salary (in line with this Policy). Subject to this overall maximum variable remuneration, incentive awards will only be granted above the normal maximum annual award opportunities where the Remuneration Committee considers there to be a commercial rationale, which may include but is not limited to circumstances where an executive director is recruited at a time in the year when it would be inappropriate to provide a bonus and/or LTIP award for that year as there would not be sufficient time to assess performance. The quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis. The Remuneration Committee will ensure that any such awards are linked to the achievement of appropriate and challenging performance targets and will be forfeited if performance or continued employment conditions are not achieved. The Remuneration Committee may also alter the performance measures, performance period and vesting period of the bonus and/or LTIP award, if the Remuneration Committee determines that the circumstances of the recruitment merit such alteration. The rationale would be clearly explained in the Directors' Remuneration Report following grant. The individual will move over time onto a remuneration package that is consistent with the normal maximum annual bonus and LTIP award opportunities set out in the Policy table.

The Remuneration Committee retains discretion to include other remuneration components or awards which are outside the specific terms of the Policy (but subject to the limit on variable remuneration) to facilitate the hiring of candidates of an appropriate calibre, where the Remuneration Committee believes there is a need to do so in the best interests of the Company. The Remuneration Committee would ensure that awards within the 325% of salary variable remuneration limit are linked to the achievement of appropriate and challenging performance measures. The Remuneration Committee will not use this discretion to make a non-performance related incentive payment (for example a "golden hello").

In some circumstances, the Remuneration Committee may make payments or awards to recognise or "buy-out" remuneration arrangements forfeited on leaving a previous employer. The Remuneration Committee will normally aim to do so broadly on a like-for-like basis, taking into account a number of relevant factors regarding the forfeited arrangements, which may include the form of award, any performance conditions attached to the awards and the time at which they would have vested. These payments or awards are excluded from the maximum level of variable remuneration referred to above, however the Remuneration Committee's intention is that the value awarded would be no higher than the expected value of the forfeited arrangements. Where considered appropriate, such payments or awards will be liable to "malus" and/or "clawback" on early departure.

Any share awards referred to in this section will be granted as far as possible under the Company's existing share plans. If necessary, and subject to the limits referred to above, recruitment awards may be granted outside of these plans as currently permitted under the Listing Rules which allow for the grant of awards to facilitate, in exceptional circumstances, the recruitment of an executive director.

Where a position is fulfilled internally, any ongoing remuneration obligations or outstanding variable pay elements shall be allowed to continue according to the original terms.

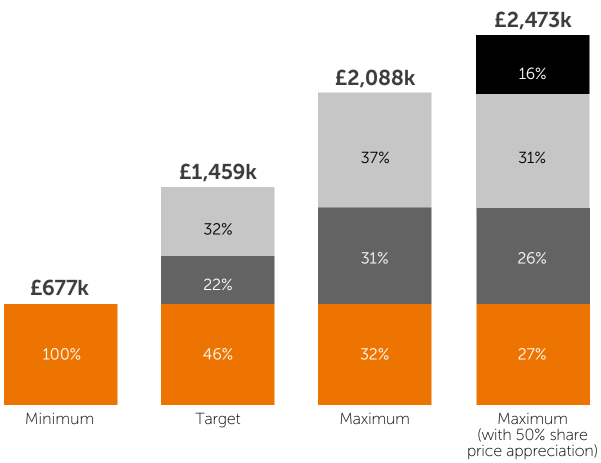
Where necessary, the Company will pay appropriate relocation, travel and subsistence costs. The Remuneration Committee will seek to ensure that no more is paid than is necessary.

Fees payable to a newly appointed Chair or non-executive director will be in line with the fee policy in place at the time of appointment.

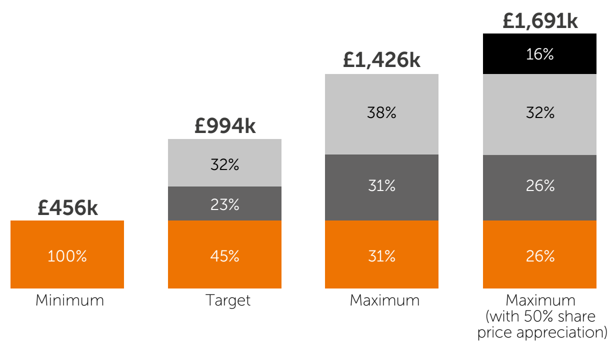
**Illustrations of application of Remuneration Policy**
The charts below set out an illustration of the Policy for 2023/24 in line with the Policy above and include base salary, pension, benefits and incentives. The charts provide an illustration of the proportion of total remuneration made up of each component of the Policy and the value of each component.

# **Directors' Remuneration Report** continued

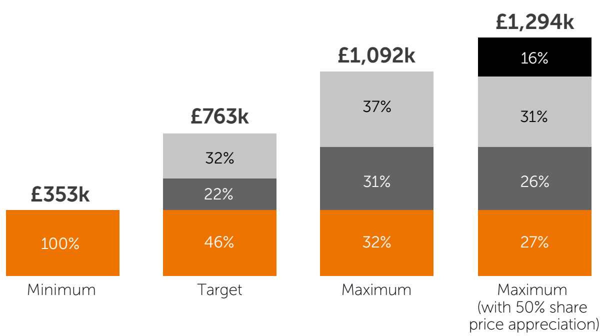
**R.A. White** – total remuneration




**S. Lorimer** – total remuneration




**J.D. Kemp** – total remuneration




■ Base salary, benefits and pension ■ Annual bonus ■ LTIP ■ LTIP – share price appreciation

Four scenarios have been illustrated for each executive director:

| | Fixed pay | Annual Bonus | LTIP |
|---|---|---|---|
| **Minimum performance** | Fixed elements of remuneration – base salary, benefits and pension only. | No bonus. | No LTIP vesting. |
| **Performance in line with expectations** | Base salary is the forward looking salary (i.e. the salary effective from 1 April 2023) and the value for benefits has been calculated as per the single figure table on page 92 (i.e. the benefits for the year ended 29 January 2023). | 50% of maximum awarded for achieving target performance (i.e. 62.5% of salary). | 60% of maximum award vesting for target performance (i.e. 90% of salary). |
| **Maximum performance** | | 100% of maximum awarded for achieving maximum performance (i.e. 125% of salary). | 100% of maximum award vesting for maximum performance (i.e. 150% of salary). |
| **Maximum performance plus 50% growth in share price** | | | 100% of maximum award vesting for maximum performance plus 50% growth in share price (i.e. 225% of salary). |

LTIP awards are included in the scenarios above at face value with no share price movement included (except in the "maximum plus 50%" scenario).

**Service contracts**

Executive directors' contracts are on a rolling basis and may be terminated on 12 months' notice by the Company or on 6 months' notice by the executive director. Service contracts for new executive directors will generally be limited to 12 months' notice by the Company.

In line with the Policy approved at the 2014 AGM, service contracts entered into prior to this date provide for a notice period of 12 months except during the six months following either a takeover of or by the Company or a Company reconstruction. Under these conditions and certain circumstances the executive directors are entitled to a liquidated damages payment equal to the executive director's basic salary at termination plus the value of all contractual benefits for a two year period. In the event this liquidated damages payment is triggered, the executive director will also be deemed to be a "good leaver" for the purposes of the Company's share schemes. Given the size of the Company and the sector dynamics at the time the directors were recruited, the Remuneration Committee considered this provision appropriate in order to attract and retain high calibre executive directors. The Remuneration Committee is cognisant of the fact that these provisions do not reflect best practice. It has therefore previously considered the alternatives available to exit these contractual arrangements, including contractual buy-out. However, the Remuneration Committee concluded that it was not feasible to place a value on these rights, in order to remove them from the contracts, which would be acceptable to both parties. It therefore determined that the most appropriate approach would be to maintain the legacy provisions, however for all future appointments after the approval of the 2014 Policy these provisions have not and will not apply. S. Lorimer's service contract does not therefore include the legacy provisions.

Non-executive directors are appointed for an initial period of three years, subject to annual re-election by shareholders in accordance with the Code. Their appointments are terminable by either the Company or the directors themselves upon three months' notice without compensation.

# **Directors' Remuneration Report** continued

### Payments for loss of office

The principles on which the determination of payments for loss of office will be approached are set out below:

| | Policy |
|---|---|
| **Payment in lieu of notice** | Payments to executive directors upon termination of their service contracts will be equal to 12 months' base salary or the highest annual salary earned by the executive during the preceding three years, whichever is higher (plus benefits in kind and pension contributions at the discretion of the Remuneration Committee). |
| **Annual Bonus** | This will be at the discretion of the Remuneration Committee on an individual basis and the decision as to whether or not to award a bonus in full or in part will be dependent upon a number of factors, including the circumstances of the individual's departure and their contribution to the business during the bonus period in question. Any bonus amounts paid will typically be pro-rated for time in service to termination and will, subject to performance, be paid at the usual time. |
| **Deferred portion of Annual Bonus** | Deferred bonus share awards will normally vest in full at the end of the original deferral period. |
| **LTIP** | The extent to which any award under the LTIP will vest would be determined based on the leaver provisions contained within the LTIP rules. The Remuneration Committee shall determine when awards vest in accordance with those provisions.<br><br>Awards will normally lapse if the participant leaves employment before vesting. However, awards may vest in "good leaver" circumstances, including death, disability, ill-health, injury, sale of the participant's employer, or any other reason determined by the Remuneration Committee. Any "good leaver" awards will vest at the date of cessation of employment unless the Remuneration Committee decides they should vest at the normal vesting date. In either case, the extent to which an award vests will be determined by the Remuneration Committee taking into account the extent to which the performance conditions have been satisfied and, unless the Remuneration Committee determines otherwise, the proportion of the performance period that has elapsed to the date of cessation of employment. The Remuneration Committee may vest the award on any other basis if it believes there are exceptional circumstances which warrant that.<br><br>Options are exercisable for six months (12 months in the event of death) from leaving employment or six months (12 months in the event of death) from the normal vesting date as appropriate. |
| **Change of control** | Deferred bonus share awards and awards under the LTIP will generally vest early on a takeover, merger or other corporate reorganisation. The Remuneration Committee will determine the level of vesting taking account of performance conditions and, unless the Remuneration Committee determines otherwise, pro-rating for time, where applicable. Alternatively, participants may be allowed or required to exchange their awards for awards over shares in the acquiring company.<br><br>Awards under all-employee share schemes will be expected to vest on a change of control and those which have to meet specific requirements to benefit from permitted tax benefits will vest in accordance with those requirements. |
| **Mitigation** | The executive directors' service contracts do not provide for any reduction in payments for mitigation or for early payment. |
| **Other payments** | Payments may be made under the Company's all-employee share plans which are governed by HMRC tax-advantaged plan rules and which cover certain leaver provisions. There is no discretionary treatment of leavers under these plans. In appropriate circumstances, payments may also be made in respect of accrued holiday, outplacement and legal fees. |

Where a buy-out award is made under the Listing Rules then the leaver provisions would be determined at the time of the award.

The Remuneration Committee reserves the right to make additional exit payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of a director's office or employment. In doing so, the Remuneration Committee will recognise and balance the interests of shareholders and the departing executive director, as well as the interests of the remaining directors.

Where the Remuneration Committee retains discretion it will be used to provide flexibility in certain situations, taking into account the particular circumstances of the director's departure and performance.

**Statement of consideration of employment conditions elsewhere in the Company**

The Remuneration Committee generally considers pay and employment conditions elsewhere in the Company when considering the executive directors' remuneration. When considering base salary increases, the Remuneration Committee reviews overall levels of base pay increases offered to other employees. Employees are not actively consulted on directors' remuneration. The Company has regular contact with union bodies on matters of pay and remuneration for employees covered by collective bargaining or consultation arrangements.

**Existing contractual arrangements**

The Remuneration Committee retains discretion to make any remuneration payments and payments for loss of office outside the Policy in this report:

- where the terms of the payment were agreed before the Policy came into effect;
- where the terms of the payment were agreed at a time when the relevant individual was not a director of the Company and, in the opinion of the Remuneration Committee, the payment was not in consideration of the individual becoming a director of the Company; or
- to satisfy contractual commitments under legacy remuneration arrangements.

For these purposes, the term "payments" includes the satisfaction of awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted.

The Remuneration Committee may make minor changes to this Policy which do not have a material advantage to directors, to aid in its operation or implementation, taking into account the interests of shareholders but without the need to seek shareholder approval.

**Statement of consideration of shareholder views**

During the year, the Remuneration Committee engaged with shareholders, seeking their comments and feedback on the proposed minor changes to the Remuneration Policy. The Committee is committed to an ongoing dialogue with shareholders and welcomes feedback on executive and non-executive directors' remuneration.

**Payments in relation to existing remuneration arrangements**

The Remuneration Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Remuneration Policy set out above where the terms of the payment were agreed:

i. before the date of the 2014 AGM (the date the Company's first shareholder-approved Remuneration Policy came into effect);
ii. after the date of the 2014 AGM and before the Remuneration Policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved Remuneration Policy in force at the time they were agreed; or
iii. at a time when the relevant individual was not a director of the Company and, in the opinion of the Remuneration Committee, the payment was not in consideration for the individual becoming a director of the Company.

For these purposes "payments" includes the Remuneration Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted.

# Directors' Report

The directors present their report and the audited consolidated financial statements of the Group for the 52 weeks (2022: 53 weeks) ended 29 January 2023.

## Strategic Report

The Companies Act 2006 requires the directors to present a review of the business during the year to 29 January 2023 and of the position of the Group at the end of the financial year, together with a description of the principal risks and uncertainties faced. The Strategic Report can be found on pages 1 to 69 and is incorporated by reference into this Directors' Report.

## Corporate Governance Statement

The Disclosure Guidance and Transparency Rules require certain information to be included in a corporate governance statement in the Directors' Report. Information that fulfils the requirements of the corporate governance statement can be found in the Corporate Governance Report on pages 72 to 84 and is incorporated by reference into this Directors' Report.

## Results and dividends

The Group's profit after tax for the financial year ended 29 January 2023 attributable to equity shareholders amounted to £33.9m (2022: £27.8m).

An interim dividend for the current year of 2.50p (2022: 2.00p) per ordinary share was paid on 28 October 2022. As reported in the Annual Report and Accounts for the year ended 30 January 2022, the Board recommenced dividend payments during the course of that year, with the payment of an interim dividend of 2.00p per ordinary share and a special dividend of 10.00p per ordinary share, both of which were paid on 29 October 2021. In line with its progressive dividend policy, the Board has proposed a final dividend of 10.60p (2022 final dividend: 10.00p) per ordinary share, which will be paid on 9 June 2023 if approved at the Company's annual general meeting on 26 May 2023 ("AGM"). The directors have taken advantage of the exemption available under s408 of the Companies Act 2006 and have not presented an income statement for the Company. The Company's profit for the year was £45.0m (2022: £21.4m).

## Directors

The following were directors of the Company during the financial year ended 29 January 2023 and to the date of this report:

- J.R. Nicolson (resigned 31 March 2022)
- M. Allen OBE
- R.A. White
- S. Lorimer
- J.D. Kemp
- W.R.G. Barr
- S.V. Barratt
- Z.L. Howorth
- D.J. Ritchie
- N.B.E. Wharton

Subject to the Company's Articles of Association (the "Articles") and any relevant legislation, the directors may exercise all of the powers of the Company and may delegate their power and discretion to committees. The powers of the directors to issue or repurchase ordinary shares are set by resolution at a general meeting of shareholders.

The Company's Articles provide that the Company may by ordinary resolution appoint any person who is willing to act to be a director, either to fill a vacancy or as an addition to the existing Board. Mr William Robin Graham Barr will retire from the Board at the AGM and Ms Julie Anne Barr will offer herself for election at the AGM. The Articles also give the directors power to appoint and remove directors. Under the terms of reference of the Nomination Committee, any appointment must be recommended by the Nomination Committee for approval by the Board. The Articles require directors to retire and submit themselves for election at the first Annual General Meeting following appointment and to retire no later than the third Annual General Meeting after the Annual General Meeting at which they were last elected or re-elected. However, in order to comply with the UK Corporate Governance Code, all directors other than W.R.G. Barr will submit themselves for re-election at the AGM. J.A. Barr will offer herself for election at the AGM. Biographical details of the Board and J.A. Barr as a proposed director are set out on pages 70 and 71 of this report.

### Directors' interests

Information regarding the directors' interests in ordinary shares of the Company is provided in the Directors' Remuneration Report on page 100. No director has any other interest in any shares or loan stock of any Group company.

Other than service contracts, no director had a material interest in any contract to which any Group company was a party during the year.

There have been the following changes notified in the directors' shareholdings between 29 January 2023 and 27 March 2023: an increase in R.A. White's holding of 82 shares, an increase in S. Lorimer's holding of 83 shares and an increase in J.D. Kemp's holding of 82 shares.

### Directors' indemnity provisions

As at the date of this report, indemnities are in force between the Company and each of its directors under which the Company has agreed to indemnify each director, to the extent permitted by law, in respect of certain liabilities incurred as a result of carrying out their role as a director of the Company. The directors are also indemnified against the costs of defending any criminal or civil proceedings or any claim in relation to the Company or brought by a regulator as they are incurred, provided that where the defence is unsuccessful the director must repay those defence costs to the Company. The Company's total liability under each indemnity is limited to £5.0m for each event giving rise to a claim under that indemnity. The indemnities are qualifying third party indemnity provisions for the purposes of the Companies Act 2006. In addition, the Company maintained a Directors' and Officers' liability insurance policy throughout the financial year and has renewed that policy.

As at the date of this report, indemnities are in force between the Company and each of the directors of the corporate trustee of the A.G. BARR p.l.c. (2008) Pension and Life Assurance Scheme under which the Company has agreed to indemnify each director, to the extent permitted by law, in respect of certain liabilities incurred in connection with the corporate trustee's activities as a trustee of such scheme.

### Research and development

The Group undertakes research and development activities in order to develop its range of new and existing products. Expenditure during the year on research and development amounted to £1.4m (2022: £1.3m).

### Political donations and political expenditure

No Group company made any political donations or incurred any political expenditure in the year (2022: £nil).

### Post balance sheet events

Relevant post balance sheet events requiring disclosure are included in Note 32 to the accounts.

### Employee engagement

Information on employee engagement is included in the Corporate Governance Report on pages 78 and 79 and the Strategic Report on page 35.

All qualifying employees are entitled to join the Savings Related Share Option Scheme ("SAYE") and the All-Employee Share Ownership Plan ("AESOP"). Details of these share schemes are provided below.

### AESOP

The AESOP is HMRC approved and the executive directors participate in both sections of the scheme, which is open to all qualifying employees.

The partnership share element provides that for every two shares a participant purchases in the Company, up to a current maximum contribution of £150 per month, the Company will purchase one matching share. The matching shares purchased are held in trust in the name of the individual.

There are various rules as to the period of time that the shares must be held in trust but after five years the shares can be released tax free to the participant.

# **Directors' Report** continued

The free share element allows participants to receive shares to the value of a common percentage of their earnings, related to the performance of the Group. The maximum value of any annual award is currently £3,600 and the shares awarded are held in trust for five years. Under the terms of the AESOP rules, any award of free shares to employees is made by the Trustee of the AESOP subject to the Company's consent.

Under the terms of this scheme, unless they are a "good leaver" the matching shares will be forfeited if the participant leaves the employment of the Company within three years of the award. All partnership, matching and free shares must be removed from the trust if employment with the Company ceases.

## SAYE

The SAYE is HMRC approved and is available to all qualifying employees, including executive directors. It is based on a three year savings contract which provides the participant with an option to purchase shares after three years at a discounted price fixed at the time the contract is taken out, or earlier as provided by the scheme rules. No performance conditions require to be met by any participant in order to exercise their option under the SAYE.

## Employment of disabled persons

The Company strives to build an inclusive and diverse culture where all employees have the opportunity to succeed. Applications for employment by disabled persons are always fully and fairly considered. In the event of employees becoming disabled every effort is made to ensure that their employment will continue. The Company is committed to the fair treatment of people with disabilities regarding recruitment, training, promotion and career development.

## Stakeholder engagement – section 172(1) statement

A statement on how the Company has engaged with key stakeholders, including employees, and the impact of that engagement on the Company's strategy and the principal decisions taken during the year is set out in the Corporate Governance Report on pages 74 to 80. This statement also summarises how the directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken during the year. This statement is incorporated by reference into this Directors' Report.

## Substantial shareholdings

As at 29 January 2023, the Company had been notified under Rule 5 of the Financial Conduct Authority's Disclosure and Transparency Rules of the following interests in the Company's ordinary share capital:

| | Number of shares | % of voting rights | Type of holding |
|---|---|---|---|
| Lindsell Train Limited (discretionary clients) | 12,287,893 | 10.96 | Indirect |
| Sanford DeLand Asset Management | 5,200,000 | 4.64 | Direct |
| Caledonia Investments plc | 3,279,347 | 2.92 | Direct |

The position remains the same as at 27 March 2023 as it did at 29 January 2023.

## Share capital

As at 29 January 2023 the Company's issued share capital comprised a single class of ordinary shares of 4 1/6 pence each. All of the Company's issued ordinary shares are fully paid up and rank equally in all respects. The rights attaching to the shares are set out in the Articles. Note 28 to the financial statements contains details of the ordinary share capital.

On a show of hands at a general meeting of the Company every holder of ordinary shares present in person or by proxy and entitled to vote shall have one vote and, on a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. The Notice of AGM gives full details of deadlines for exercising voting rights in relation to resolutions to be passed at the AGM. All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are announced at the AGM and published on the Company's website after the meeting. Subject to the relevant statutory provisions and the Articles, shareholders are entitled to a dividend where declared and paid out of profits available for such purposes.

There are no restrictions on the transfer of ordinary shares in the Company other than:

- those which may from time to time be applicable under existing laws and regulations (for example, insider trading laws); and
- pursuant to the Company's Share Dealing Codes and applicable regulations, whereby directors and certain employees of the Company require approval to deal in the Company's ordinary shares and are prohibited from dealing during closed periods.

At 29 January 2023 the Company had authority, pursuant to the shareholders' resolution of 27 May 2022, to purchase up to 10% of its issued ordinary share capital. This authority will expire at the conclusion of the 2023 AGM. It is proposed that this authority be renewed at the 2023 AGM, as detailed in the Notice of AGM.

At 29 January 2023 Robert Barr Limited, as trustee of the Savings Related Benefit Trust and the All-Employee Share Ownership Plan Trust (the "RBL Trustee"), held 0.67% of the issued share capital of the Company in trust for the benefit of the executive directors and employees of the Group. As at 29 January 2023, Equiniti Share Plan Trustees Limited (the "AESOP Trustee") held 0.68% of the issued share capital of the Company in trust for participants in the AESOP.

A dividend waiver is in place in respect of the RBL Trustee's holdings under the Savings Related Benefit Trust. A dividend waiver is in place in respect of shares held by the AESOP Trustee and the RBL Trustee under the AESOP which have not been appropriated to participants.

The voting rights in relation to the RBL Trustee's shareholdings are exercised by the RBL Trustee, who may vote or abstain from voting the shares as it sees fit in respect of shares which are unvested or have not been appropriated to employees.

Under the rules of the AESOP, eligible employees are entitled to acquire shares in the Company. Details of the AESOP are set out above. AESOP shares which have been appropriated to participants are held in trust for those participants by the AESOP Trustee. Voting rights in respect of shares which have been appropriated to participants are exercised by the AESOP Trustee on receipt of participants' instructions. If a participant does not submit an instruction to the AESOP Trustee, no vote is registered in respect of those shares. In addition, the AESOP Trustee does not vote any unappropriated shares held under the AESOP as surplus assets.

The Executive Share Option Scheme ("ESOS") was approved by shareholders at the 2010 AGM. Approved Long Term Incentive Plan ("ALTIP") awards comprising both a tax-approved option granted under the ESOS and a Long Term Incentive Plan award have been granted to executive directors. ALTIP awards enable the participant and the Company to benefit from HMRC tax-approved option tax treatment in respect of part of the award, without increasing the pre-tax value delivered to participants. Other than to enable the grant of ALTIP awards, the Company has not granted awards to executive directors under the ESOS. Details of the ALTIP awards granted to executive directors are set out on page 106.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or on voting rights.

# **Directors' Report** continued

## Change of control

As disclosed in the Directors' Remuneration Report, under certain conditions the notice period for R.A. White and J.D. Kemp may increase from one year to two years in the event of a takeover of or by the Company or a Company reconstruction.

All of the Company's share incentive plans contain provisions relating to a change of control of the Company. The Company's banking facilities may, at the discretion of the lender, be repayable upon a change of control.

## Articles of association

The Company's Articles may only be amended by a special resolution at a general meeting of shareholders. No amendments are proposed to be made to the existing Articles at the 2023 AGM.

## Greenhouse gas emissions

Disclosures regarding greenhouse gas emissions required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 are included in the Strategic Report on pages 51 to 53. This information is incorporated by reference into this Directors' Report.

## Task Force on Climate-Related Financial Disclosures ("TCFD")

Disclosures consistent with the TCFD's recommendations are included in the Strategic Report on pages 44 to 53.

## Financial risk management

Information on the exposure of the Group to certain financial risks and on the Group's objectives and policies for managing each of the Group's main financial risk areas is detailed in the financial risk management disclosure in Note 26.

## Contracts of significance

There were no contracts of significance as defined by Listing Rule 9.8 in existence during the financial year.

## Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 69. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial review on pages 56 to 61.

After making the appropriate enquiries, the directors have concluded that the Group will be able to meet its financial obligations for the foreseeable future and therefore have a reasonable expectation that the Company and the Group overall have adequate resources to continue in operational existence for the foreseeable future (being at least one year following the date of approval of this annual report) and, accordingly, consider it appropriate to adopt the going concern basis in preparing the financial statements.

The Company's viability statement is set out on page 69 of the Strategic Report.

## Directors' statement as to disclosure of information to auditor

So far as each director is aware, there is no relevant audit information (as defined by the Companies Act 2006) of which the Company's auditor is unaware. Each director has taken all steps that ought to be taken by a director to make themselves aware of and to establish that the auditor is aware of any relevant audit information.

## Auditor

The Audit and Risk Committee has responsibility delegated from the Board for making recommendations on the appointment, reappointment, removal and remuneration of the external auditor.

The auditor, Deloitte LLP, has indicated its willingness to continue in office and a resolution to appoint Deloitte LLP as auditor of the Company and its subsidiaries, and to authorise the Audit and Risk Committee to fix their remuneration, will be proposed at the 2023 AGM.

## Cautionary statement

This report is addressed to the shareholders of A.G. BARR p.l.c. and has been provided solely to provide information to them.

This report is intended to inform the shareholders of the Group's performance during the year ended 29 January 2023. This report contains forward-looking statements based on knowledge and information available to the directors as at the date the report was prepared. These statements should be treated with caution due to the inherent uncertainties underlying any forward-looking information and any statements about the future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

## Annual General Meeting

The Company's AGM will be held at 12.00 p.m. on 26 May 2023 at the offices of Ernst & Young LLP, G1 Building, 5 George Square, Glasgow, G2 1DY. The Notice of the AGM is set out on pages 205 to 218 of this report. A description and explanation of the resolutions to be considered at the 2023 AGM is set out on pages 208 to 210 of this report.

## Recommendation to shareholders

The Board considers that all the resolutions to be considered at the AGM are in the best interests of the Company and its shareholders as a whole and unanimously recommends that you vote in favour of them.

By order of the Board

**Julie A. Barr**
Company Secretary
28 March 2023

# Statement of Directors' Responsibilities
## In Respect of the Annual Report and the Financial Statements

The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The directors have also chosen to prepare the parent company financial statements under United Kingdom adopted international accounting standards.

Under company law the 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 parent Company and of the consolidated profit or loss for that period. In preparing each of the Group and parent Company financial statements, International Accounting Standard 1 requires that directors:
- Properly select and apply accounting policies.
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and parent Company's financial position and financial performance.
- Make an assessment of the Company's ability to continue as a going concern.

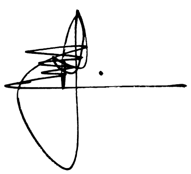
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

A copy of the Group and parent Company financial statements has been placed on the Company's website, www.agbarr.co.uk. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

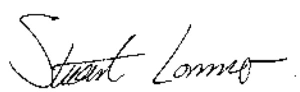
**Directors' statement pursuant to the disclosure and transparency rules**

Each of the directors, whose names and functions are set out on pages 70 and 71 of this report, confirm that, to the best of their knowledge:
- The financial statements, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position of the Group and parent Company and of the consolidated profit.
- The Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties faced by the Group.
- They consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board



**R.A. White**
Chief Executive
28 March 2023



**S. Lorimer**
Finance Director
28 March 2023

# Independent Auditor's Report to the members of A.G. BARR p.l.c.

## Report on the audit of the financial statements

### 1. Opinion

**In our opinion:**

- **the financial statements of A.G. Barr p.l.c. (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 29 January 2023 and of the group's profit for the year then ended;**
- **the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;**
- **the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and**
- **the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company cash flow statements; and
- the related notes 1 to 32.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

### 2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group and parent company for the year are disclosed in note 3 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 3. Summary of our audit approach

| | |
|---|---|
| **Key audit matters** | The key audit matter that we identified in the current year was:<br>• Completeness and valuation of brand support discounts and cost accruals. |
| **Materiality** | The materiality that we used for the group financial statements was £2,175,000 (2022:£2,070,000) which was determined on the basis of 5% (2022: 5%) of adjusted profit before tax. |
| **Scoping** | Our full scope and specified audit procedures covered 95% of the Group's revenue, 98% of the Group's net assets, and 97% of the Group's profit before tax. |
| **Significant changes in our approach** | Our audit approach is consistent with the prior year with the exception of Funkin Limited, a component which has increased in scope to full scope in light of its overall contribution to the group. |

# Independent Auditor's Report to the members of A.G. BARR p.l.c. continued

### 4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Challenging underlying data and considering the impact of economic uncertainty on the assumptions;
- Assessing the integrity of the model used to prepare the forecasts, testing the clerical accuracy of those forecasts, and considering the historical accuracy of the forecasts prepared by management;
- Assessing headroom in the forecasts (liquidity and covenants);
- Evaluating the financing facilities that are in place during the forecast period including the repayment terms and covenants, and assessing whether these have been appropriately reflected in the model;
- Assessing the reasonableness of the downside scenarios and sensitivities performed by management; and
- Assessing the appropriateness of the going concern disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent 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 relation to the reporting on how the group has 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.

### 5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our 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) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### 5.1. Completeness and valuation of brand support discounts and cost accruals

| | |
|---|---|
| **Key audit matter description** | Brand support discounts and cost accruals within trade and other payables of £12.3m (2022: £18.1m)<br><br>The Group incurs significant costs in agreeing sales discounts to support and develop its brands. Estimation is required in determining the level of variable consideration recognised and the accrual for such sales discounts and costs where promotions and brand support campaigns span the year-end and where settlement has not been fully agreed at year-end, or where prior year claims arise, as the year-end accrual can depend on information not yet made available by the customer.<br><br>Further details are included within "Key Sources of Estimation Uncertainty" as disclosed in the accounting policies within note 1 to the financial statements.<br><br>Due to the high level of estimation involved, we have determined there is a potential for fraud through possible manipulation of this balance.<br><br>Brand support discounts and cost accruals are included within note 22 to the financial statements.<br><br>The Audit and Risk Committee's consideration in respect of the risk is included on page 86. |
| **How the scope of our audit responded to the key audit matter** | The audit procedures we performed in respect of this matter included:<br>• Obtaining an understanding of and testing the relevant controls over the brand support discounts and cost accruals process;<br>• Meeting with the commercial teams to understand and challenge the brand support discounts in place, by assessing the movements in the brand support accrual;<br>• Testing a sample of customers with characteristics of audit interest (customers receiving material brand support investment, customers with material open promotions at year end, and flagship UK customers), assessing the accuracy of current year accruals;<br>• Performing a stand back assessment on judgements made in the previous year, including examining a sample of accrual releases and assessing the additional variable consideration recognised;<br>• Examining a sample of key commercial contracts and joint business plans to assess whether the composition of the accrual is in line with the underlying commercial agreement;<br>• Obtaining confirmations directly from customers for a sample of open accruals. In cases where no confirmation reply is received, we performed alternative procedures involving understanding the basis for the accrual and recalculating the expected accrual based on related sales information;<br>• Selecting a sample of settlements and releases made after the year-end to determine the accuracy of the accrual;<br>• Understand ageing of the accrual and selecting a sample of balances of aged balances; and<br>• Assessing the appropriateness of the IAS 1 sensitivity disclosures made in the financial statements. |
| **Key observations** | We concluded that completeness and valuation of brand support discounts and cost accruals were appropriate. |

# Independent Auditor's Report to the members of A.G. BARR p.l.c. continued

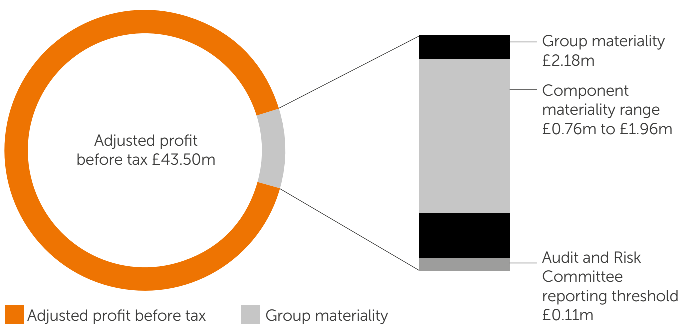
## 6. Our application of materiality

### 6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | Group financial statements | Parent company financial statements |
|---|---|---|
| **Materiality** | £2.175m (2022: £2.07m) | £1.96m (2022: £1.89m) |
| **Basis for determining materiality** | 5% (2022: 5%) of adjusted profit before tax. | Parent company materiality equates to 0.6% (2022: 0.7%) of revenue, capped at 90% (2022: 90%) of Group materiality. |
| **Rationale for the benchmark applied** | We have used adjusted profit before tax as the benchmark for our determination of materiality as we consider this to be a critical performance measure for the Group on the basis that it is a key metric to analysts and investors and has equal prominence in the Annual Report. The adjusted items in the year are summarised on page 201. | We have used revenue as the benchmark for our determination of materiality as we consider this to be the key driver of the business. As statutory materiality would be higher than component materiality, we have capped materiality to be 90% of group materiality being £1.96m (2022: £1.89m). 90% is deemed to be appropriate based on the company only contribution to the Group. |



## 6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

| | Group financial statements | Parent company financial statements |
|---|---|---|
| **Performance materiality** | 70% (2022: 70%) of group materiality | 70% (2022: 70%) of parent company materiality |
| **Basis and rationale for determining performance materiality** | In determining performance materiality, we considered the following factors:<br>• Our risk assessment, including our assessment of the group's overall control environment and that we considered it appropriate to rely on controls over a number of business processes.<br>• Our past experience of the audit, and our consideration of the number of corrected and uncorrected misstatements identified in prior periods. | |

## 6.3. Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £111,000 (2022: £103,500), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

## 7. An overview of the scope of our audit

## 7.1. Identification and scoping of components

There are no significant changes in our approach in the current year with the exception of our approach to Funkin Limited, a component which has increased in scope to full scope in light of its overall contribution to the group. Our group audit was scoped by obtaining an understanding of the Group and its environment through discussions with finance, IT, commercial and supply teams and performing walkthroughs of processes across these areas, including Group wide controls, and assessing the risks of material misstatements at a Group level.

For components deemed significant to the group, full scope audit procedures were performed to materiality levels applicable to each component, which was lower than the group materiality level and ranged from £0.76m to £1.96m (2022: £0.51m to £1.89m). Components deemed significant are as follows:

- A.G. Barr p.l.c.
- Funkin Limited

A.G. Barr p.l.c., is also the entity in which the trading transactions relating to the brand owned by Rubicon Drinks Limited are recorded.

Boost Drinks Limited was subject to specified audit procedures based on the materiality of individual balances, and the remaining non-significant components were subject to analytical reviews, the group audit team performed all audit work. The other components to the Group are as follows:

- Funkin USA Limited
- A.G. BARR General Partner Limited
- A.G. BARR Capital Partner Limited
- A.G. BARR (Ireland) Limited
- MOMA Foods Limited


At the Group level, we also tested the consolidation process. All work on the significant components and consolidation process was performed by the Group engagement team.

# Independent Auditor's Report to the members of A.G. BARR p.l.c. continued

## 7. An overview of the scope of our audit continued

### 7.2. Our consideration of the control environment

With the involvement of our IT specialist we obtained an understanding of the relevant IT environment and tested relevant general IT controls. We obtained an understanding of the processes and relevant controls over the key business cycles, being the revenue, brand support accrual business process and the financial reporting cycle. We tested and took a controls reliance approach on the relevant controls for certain components within the revenue and brand support accrual business process cycles.

### 7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the Group's business and its financial statements.

The Group has assessed the risk and opportunities relevant to climate change and has elevated this risk to a principal risk across the Group. This risk has also been considered and embedded into the businesses as explained in the Strategic Report on pages 62 to 68.

As a part of our audit, we have obtained management's climate-related risk assessment and held discussions with those charged with governance to understand the process of identifying climate-related risks, the determination of mitigating actions and to evaluate the impact on the Group's financial statements. While management has acknowledged that the transition and physical risks posed by climate change have the potential to impact the medium to long term success of the business, they have assessed that there is no material impact arising from climate change on the judgements and estimates made in the financial statements as at 29 January 2023 as explained in note 1 on page 154.

We performed our own qualitative risk assessment of the potential impact of climate change on the Group's financial statements. Our procedures include evaluating the appropriateness of disclosures included in note 1 to the financial statements and reading disclosures included in the Strategic Report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

## 8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## 9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

## 10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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 auditor's report.

## 11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined 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.

### 11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, the directors and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the group's sector;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including valuations, pensions and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: completeness and valuation of brand support discount and cost accruals. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the group's operating licence and environmental regulations.

# Independent Auditor's Report to the members of A.G. BARR p.l.c. continued

### 11. Extent to which the audit was considered capable of detecting irregularities, including fraud continued

#### 11.2. Audit response to risks identified

As a result of performing the above, we identified completeness and valuation of brand support discounts and cost accruals as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

## Report on other legal and regulatory requirements

### 12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

### 13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

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 with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 126;
- the directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on page 69;
- the directors' statement on fair, balanced and understandable set out on page 128;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 64 to 68;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 83 and 84; and
- the section describing the work of the Audit and Risk Committee set out on page 85 to 87.

**14. Matters on which we are required to report by exception**

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

**15. Other matters which we are required to address**

15.1. Auditor tenure

Following the recommendation of the Audit and Risk Committee, we were appointed on 31 May 2017 to audit the financial statements for the year ended 27 January 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 6 years, covering the years ending 27 January 2018 to 29 January 2023.

15.2. Consistency of the audit report with the additional report to the Audit and Risk Committee

Our audit opinion is consistent with the additional report to the Audit and Risk Committee we are required to provide in accordance with ISAs (UK).

**16. Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

**David Mitchell CA (Senior statutory auditor)**
For and on behalf of Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom
28 March 2023

# Consolidated Income Statement
## For the year ended 29 January 2023

| | Note | 2023 £m | 2022 £m |
|---|---|---|---|
| Revenue | 2 | **317.6** | 268.6 |
| Cost of sales | | **(189.5)** | (150.0) |
| Gross profit | 2 | **128.1** | 118.6 |
| Other income | 5 | **1.3** | 0.7 |
| Operating expenses | 6 | **(84.1)** | (76.6) |
| Operating profit | | **45.3** | 42.7 |
| Finance income | 7 | **0.5** | – |
| Finance costs | 7 | **(1.4)** | (0.4) |
| Share of after tax results of associates | 16 | **–** | (0.1) |
| Profit before tax | | **44.4** | 42.2 |
| Tax on profit | 8 | **(10.5)** | (14.4) |
| Profit for the year | | **33.9** | 27.8 |

**Earnings per share (pence)**

| | | | |
|---|---|---|---|
| Basic earnings per share | 9 | **30.47** | 25.09 |
| Diluted earnings per share | 9 | **30.22** | 24.95 |

# Statements of Financial Position
## As at 29 January 2023

| | Note | Group 2023 £m | Group 2022 £m | Company 2023 £m | Company 2022 £m |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Intangible assets | 11 | **116.2** | 98.6 | **2.7** | 3.9 |
| Property, plant and equipment | 12 | **102.5** | 93.8 | **83.3** | 74.4 |
| Right-of-use assets | 13 | **5.4** | 4.2 | **23.0** | 23.2 |
| Loans and receivables | 14 | **1.5** | 1.5 | **1.5** | 1.5 |
| Investment in subsidiary undertakings | 15 | **–** | – | **113.6** | 90.3 |
| Investment in associates | 16 | **0.7** | 0.7 | **0.7** | 0.7 |
| Retirement benefit surplus | 27 | **2.4** | – | **17.7** | 15.1 |
| | | **228.7** | 198.8 | **242.5** | 209.1 |
| **Current assets** | | | | | |
| Inventories | 19 | **34.7** | 24.2 | **22.7** | 21.0 |
| Trade and other receivables | 20 | **60.4** | 44.3 | **44.7** | 37.2 |
| Derivative financial instruments | 14 | **0.1** | – | **0.1** | – |
| Current tax asset | | **–** | 0.3 | **1.6** | 2.5 |
| Short-term investments | 17 | **40.0** | – | **40.0** | – |
| Cash and cash equivalents | 18 | **13.6** | 68.7 | **11.5** | 59.1 |
| | | **148.8** | 137.5 | **120.6** | 119.8 |
| **Total assets** | | **377.5** | 336.3 | **363.1** | 328.9 |
| **Current liabilities** | | | | | |
| Loans and other borrowings | 21 | **0.7** | 0.3 | **–** | – |
| Trade and other payables | 22 | **72.3** | 54.0 | **60.5** | 59.6 |
| Derivative financial instruments | 14 | **0.1** | 0.2 | **0.1** | 0.2 |
| Lease liabilities | 13, 21 | **1.5** | 1.3 | **2.9** | 2.6 |
| Provisions | 23 | **0.8** | 2.0 | **0.6** | 1.8 |
| Current tax liabilities | | **0.7** | – | **–** | – |
| | | **76.1** | 57.8 | **64.1** | 64.2 |
| **Non-current liabilities** | | | | | |
| Deferred tax liabilities | 25 | **28.2** | 21.5 | **11.8** | 9.1 |
| Lease liabilities | 13, 21 | **3.6** | 2.8 | **18.4** | 19.3 |
| Put liability | 24 | **–** | 5.0 | **–** | – |
| Contingent consideration | 24 | **0.8** | – | **0.8** | – |
| Retirement benefit obligations | 27 | **–** | 1.0 | **–** | – |
| | | **32.6** | 30.3 | **31.0** | 28.4 |
| **Capital and reserves** | | | | | |
| Share capital | 28 | **4.7** | 4.7 | **4.7** | 4.7 |
| Share premium account | 28 | **0.9** | 0.9 | **0.9** | 0.9 |
| Share options reserve | 28 | **3.4** | 1.6 | **3.3** | 1.5 |
| Other reserves | 28 | **0.1** | (5.1) | **0.1** | (0.1) |
| Retained earnings | 28 | **259.7** | 242.4 | **259.0** | 229.3 |
| **Total shareholder equity** | | **268.8** | 244.5 | **268.0** | 236.3 |
| Non-controlling interest in equity | | **–** | 3.7 | **–** | – |
| | | **268.8** | 248.2 | **268.0** | 236.3 |
| **Total equity and liabilities** | | **377.5** | 336.3 | **363.1** | 328.9 |

The Company reported a profit for the financial year ended 29 January 2023 of £45.0m (30 January 2022: £21.4m).
Company Number: SC005653

The financial statements on pages 138 to 198 were approved by the Board of directors and authorised for issue on 28 March 2023 and were signed on its behalf by:

**Roger White**
Chief Executive

**Stuart Lorimer**
Finance Director

Stuart Lorimer

# Statement of Comprehensive Income
## For the year ended 29 January 2023

| | Note | Group 2023 £m | Group 2022 £m | Company 2023 £m | Company 2022 £m |
|---|---|---|---|---|---|
| Profit for the year | | **33.9** | 27.8 | **45.0** | 21.4 |
| **Other comprehensive income** | | | | | |
| *Items that will not be reclassified to profit or loss* | | | | | |
| Remeasurements on defined benefit pension plans | 27 | **(1.5)** | 4.7 | **(1.5)** | 4.7 |
| Deferred tax movements on items above | 25 | **0.6** | (1.2) | **0.6** | (1.2) |
| Deferred tax remeasurement for movement in tax rate | 25 | **–** | 1.5 | **–** | 1.5 |
| *Items that will be or have been reclassified to profit or loss* | | | | | |
| Cash flow hedges: | 14 | | | | |
| Gains arising during the period | | **0.2** | 0.1 | **0.2** | 0.1 |
| Deferred tax movements on items above | 25 | **–** | – | **–** | – |
| **Other comprehensive income for the year, net of tax** | | **(0.7)** | 5.1 | **(0.7)** | 5.1 |
| **Total comprehensive income for the year** | | **33.2** | 32.9 | **44.3** | 26.5 |
| **Attributable to:** | | | | | |
| Equity shareholders of the parent Company | | **33.2** | 33.0 | **44.3** | 26.5 |
| Non-controlling interests | | **–** | (0.1) | **–** | – |

# Statement of Changes in Equity
## For the year ended 29 January 2023

| Group | Note | Share capital £m | Share premium account £m | Share options reserve £m | Other reserves £m | Retained earnings £m | Total £m | Non-controlling interests £m | Total £m |
|---|---|---|---|---|---|---|---|---|---|
| **At 30 January 2022** | | **4.7** | **0.9** | **1.6** | **(5.1)** | **242.4** | **244.5** | **3.7** | **248.2** |
| Profit for the year | | **–** | **–** | **–** | **–** | **33.9** | **33.9** | **–** | **33.9** |
| Other comprehensive income | | **–** | **–** | **–** | **0.2** | **(0.9)** | **(0.7)** | **–** | **(0.7)** |
| Total comprehensive income for the year | | **–** | **–** | **–** | **0.2** | **33.0** | **33.2** | **–** | **33.2** |
| Company shares purchased for use by employee benefit trusts | 28 | **–** | **–** | **–** | **–** | **(0.7)** | **(0.7)** | **–** | **(0.7)** |
| Recognition of share-based payment costs | 29 | **–** | **–** | **2.0** | **–** | **–** | **2.0** | **–** | **2.0** |
| Transfer of reserve on share award | | **–** | **–** | **(0.2)** | **–** | **0.2** | **–** | **–** | **–** |
| Deferred tax on items taken direct to reserves | 25 | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| Derecognition of put liability | | **–** | **–** | **–** | **1.3** | **(1.3)** | **–** | **–** | **–** |
| Recognition of liabilities with non-controlling interests | | **–** | **–** | **–** | **3.7** | **–** | **3.7** | **(3.7)** | **–** |
| Dividends paid | 10 | **–** | **–** | **–** | **–** | **(13.9)** | **(13.9)** | **–** | **(13.9)** |
| **At 29 January 2023** | | **4.7** | **0.9** | **3.4** | **0.1** | **259.7** | **268.8** | **–** | **268.8** |
| At 24 January 2021 | | 4.7 | 0.9 | 1.8 | (0.2) | 221.6 | 228.8 | – | 228.8 |
| Profit for the year | | – | – | – | – | 27.9 | 27.9 | (0.1) | 27.8 |
| Other comprehensive income | | – | – | – | 0.1 | 5.0 | 5.1 | – | 5.1 |
| Total comprehensive income for the year | | – | – | – | 0.1 | 32.9 | 33.0 | (0.1) | 32.9 |
| Company shares purchased for use by employee benefit trusts | 28 | – | – | – | – | (0.5) | (0.5) | – | (0.5) |
| Recognition of share-based payment costs | 29 | – | – | 1.2 | – | – | 1.2 | – | 1.2 |
| Transfer of reserve on share award | | – | – | (1.8) | – | 1.8 | – | – | – |
| Deferred tax on items taken direct to reserves | 25 | – | – | 0.4 | – | – | 0.4 | – | 0.4 |
| Recognition of liabilities with non-controlling interests | | – | – | – | (5.0) | – | (5.0) | 3.8 | (1.2) |
| Dividends paid | 10 | – | – | – | – | (13.4) | (13.4) | – | (13.4) |
| At 30 January 2022 | | 4.7 | 0.9 | 1.6 | (5.1) | 242.4 | 244.5 | 3.7 | 248.2 |

# Statement of Changes in Equity
## For the year ended 29 January 2023

| Company | Note | Share capital £m | Share premium account £m | Share options reserve £m | Other reserves £m | Retained earnings £m | Total £m |
|---|---|---|---|---|---|---|---|
| **At 30 January 2022** | | **4.7** | **0.9** | **1.5** | **(0.1)** | **229.3** | **236.3** |
| Profit for the year | | **–** | **–** | **–** | **–** | **45.0** | **45.0** |
| Other comprehensive income | | **–** | **–** | **–** | **0.2** | **(0.9)** | **(0.7)** |
| Total comprehensive income for the year | | **–** | **–** | **–** | **0.2** | **44.1** | **44.3** |
| Company shares purchased for use by employee benefit trusts | 28 | **–** | **–** | **–** | **–** | **(0.7)** | **(0.7)** |
| Recognition of share-based payment costs | 29 | **–** | **–** | **2.0** | **–** | **–** | **2.0** |
| Transfer of reserve on share award | | **–** | **–** | **(0.2)** | **–** | **0.2** | **–** |
| Deferred tax on items taken direct to reserves | 25 | **–** | **–** | **–** | **–** | **–** | **–** |
| Dividends paid | 10 | **–** | **–** | **–** | **–** | **(13.9)** | **(13.9)** |
| **At 29 January 2023** | | **4.7** | **0.9** | **3.3** | **0.1** | **259.0** | **268.0** |
| At 24 January 2021 | | 4.7 | 0.9 | 1.7 | (0.2) | 215.0 | 222.1 |
| Profit for the year | | – | – | – | – | 21.4 | 21.4 |
| Other comprehensive income | | – | – | – | 0.1 | 5.0 | 5.1 |
| Total comprehensive income for the year | | – | – | – | 0.1 | 26.4 | 26.5 |
| Company shares purchased for use by employee benefit trusts | 28 | – | – | – | – | (0.5) | (0.5) |
| Recognition of share-based payment costs | 29 | – | – | 1.2 | – | – | 1.2 |
| Transfer of reserve on share award | | – | – | (1.8) | – | 1.8 | – |
| Deferred tax on items taken direct to reserves | 25 | – | – | 0.4 | – | – | 0.4 |
| Dividends paid | 10 | – | – | – | – | (13.4) | (13.4) |
| At 30 January 2022 | | 4.7 | 0.9 | 1.5 | (0.1) | 229.3 | 236.3 |

# Cash Flow Statements
## For the year ended 29 January 2023

| | Note | Group 2023 £m | Group 2022 £m | Company 2023 £m | Company 2022 £m |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| Profit before tax | | **44.4** | 42.2 | **53.7** | 31.0 |
| Adjustments for: | | | | | |
| Interest and dividends receivable | | **(0.5)** | – | **(22.5)** | – |
| Interest payable | 7 | **1.4** | 0.4 | **0.3** | 0.4 |
| Contingent consideration | 24 | **0.8** | – | **0.8** | – |
| Revaluation of put liability | | **(2.7)** | – | **–** | – |
| Depreciation of property, plant and equipment | 3 | **9.8** | 9.9 | **9.3** | 9.5 |
| Amortisation of intangible assets | 3 | **1.2** | 1.3 | **1.2** | 1.2 |
| Share-based payment costs | | **2.0** | 1.2 | **2.0** | 1.2 |
| Share of results in associates | | **–** | 0.1 | **–** | 0.1 |
| Gain on sale of property, plant and equipment and available for sale assets | | **(1.0)** | (0.7) | **(1.0)** | (0.7) |
| **Operating cash flows before movements in working capital** | | **55.4** | 54.4 | **43.8** | 42.7 |
| Increase in inventories | | **(4.5)** | (4.3) | **(1.7)** | (4.0) |
| Increase in receivables | | **(7.6)** | (5.6) | **(7.5)** | (2.8) |
| Increase in payables | | **4.3** | 7.7 | **15.7** | 11.8 |
| Difference between employer pension contributions and amounts recognised in the income statement | | **(4.9)** | (2.3) | **(4.9)** | (2.3) |
| **Cash generated by operations** | | **42.7** | 49.9 | **45.4** | 45.4 |
| Tax paid | | **(6.8)** | (6.5) | **(6.8)** | (6.5) |
| **Net cash from operating activities** | | **35.9** | 43.4 | **38.6** | 38.9 |
| **Investing activities** | | | | | |
| Acquisition of subsidiary (net of cash acquired) | 15 | **(18.6)** | (5.1) | **(23.3)** | (5.5) |
| Dividends received | | **–** | – | **8.0** | – |
| Loans made | | **–** | – | **(1.8)** | – |
| Purchase of property, plant and equipment | | **(14.6)** | (5.0) | **(14.6)** | (4.9) |
| Proceeds on sale of property, plant and equipment and assets held for sale | | **1.6** | 1.1 | **1.6** | 1.1 |
| Funds placed on fixed term deposit | 17 | **(40.0)** | – | **(40.0)** | – |
| Interest received | | **0.1** | – | **0.1** | – |
| **Net cash used in investing activities** | | **(71.5)** | (9.0) | **(70.0)** | (9.3) |
| **Financing activities** | | | | | |
| Acquisition of minority interest | 15 | **(3.4)** | – | **–** | – |
| Loans made | | **–** | (0.5) | **–** | (0.5) |
| Loans repaid | | **(0.3)** | – | **–** | – |
| Lease payments | | **(1.7)** | (1.5) | **(1.5)** | (1.5) |
| Purchase of Company shares by employee benefit trusts | 28 | **(0.7)** | (0.2) | **(0.7)** | (0.2) |
| Dividends paid | 10 | **(13.9)** | (13.4) | **(13.9)** | (13.4) |
| Interest paid | | **(0.2)** | (0.1) | **(0.1)** | (0.1) |
| **Net cash used in financing activities** | | **(20.2)** | (15.7) | **(16.2)** | (15.7) |
| **Net (decrease)/increase in cash and cash equivalents** | | **(55.8)** | 18.7 | **(47.6)** | 13.9 |
| Cash and cash equivalents at beginning of year | | **68.7** | 50.0 | **59.1** | 45.2 |
| Cash and cash equivalents at end of year | | **12.9** | 68.7 | **11.5** | 59.1 |

Cash and cash equivalents per the Group cash flow statements above comprises cash and cash equivalents per the statement of financial position of £13.6m, net of bank overdrafts of £0.7m for the year ended 29 January 2023. Company only cash and equivalents comprise cash and cash equivalents per the statement of financial position of £11.5m.

### Non-cash transactions

During the year the Company received a £14.0m dividend from Rubicon Drinks Limited, another Group company. This was satisfied by way of a dividend in specie using the intercompany balance due by the Company to Rubicon Drinks Limited.

# Notes to the Accounts

## 1. Accounting Policies

**General information**

A.G. BARR p.l.c. (the "Company") and its subsidiaries (together the "Group") manufacture, distribute and sell a range of beverages. The Group has manufacturing sites in the UK and sells mainly to customers in the UK with some international sales.

The Company is a public limited company, which is listed on the London Stock Exchange and incorporated and domiciled in Scotland. The address of its registered office is Westfield House, 4 Mollins Road, Cumbernauld, G68 9HD.

The financial year represents the 52 weeks ended 29 January 2023 (prior financial year 53 weeks ended 30 January 2022).

**Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Basis of preparation**

The consolidated and parent Company financial statements of A.G. BARR p.l.c. have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the UK. They have been prepared under the historical cost accounting rules except for the derivative financial instruments and the assets of the Group pension scheme which are stated at fair value and the liabilities of the Group pension scheme which are valued using the projected unit credit method.

The directors have adopted the going concern basis in preparing these accounts after assessing the principal risks. This assessment was undertaken through the use of a number of reasonably possible downside scenarios that could impact the business (both individually and cumulatively).

These scenarios include adverse brand damage to the Group's largest brand (IRN-BRU), reimposition of restrictions associated with the Covid-19 pandemic, significant disruption to supply chain (including the closure of a factory), a cyber attack, and significant energy cost inflation.

The director's experience of the Covid-19 pandemic provides confidence over the resilience of our brands, and that the business can react appropriately to significant downside scenarios. Material cash preservation measures are available, including reducing discretionary spend on overheads, non-essential capital, marketing investment, and the suspension of dividends.

As at 29 January 2023, the consolidated balance sheet reflects a net asset position of £268.8m, including net cash at bank of £52.6m. The Group has £20m of committed and unutilised debt facilities, consisting of one revolving credit facility with one bank, providing the business with a secure funding platform. Throughout these severe but plausible downside scenarios, and with no cost mitigation, the Group's liquidity requirements would be satisfied within existing credit facilities, and headroom is maintained on associated covenants.

The directors believe that the Group is well placed to manage its financing and other business risks satisfactorily, and have a reasonable expectation that the Group and parent Company will have adequate resources to continue in operation for at least 12 months from the signing date of these consolidated financial statements. They therefore consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed on page 154.

The directors have taken advantage of the exemption available under s408 of the Companies Act 2006 and have not presented a separate income statement or statement of comprehensive income for the Company.

### Changes in accounting policy and disclosures

#### (a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

- Property, Plant and Equipment Proceeds before Intended Use – Amendments to IAS 16;
- Onerous contracts – Cost of Fulfilling a Contract – Amendments to IAS 37;
- Annual Improvements to IFRS Standards 2018 – 2020; and
- Reference to the Conceptual Framework – Amendments to IFRS 3.

The amendments listed above do not have a material impact on the results for the current and prior reporting periods.

#### (b) New standards, amendments and interpretations issued but not effective for the financial year beginning 30 January 2023 and not adopted early

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 29 January 2023 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods or on foreseeable future transactions.

### Consolidation – subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date over which control commences until the date on which control ceases.

On the acquisition of a business, identifiable assets and liabilities acquired are measured at their fair value. 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. Any contingent consideration is recognised at fair value at the acquisition date and subsequently until it is settled. The cost of the acquisition in excess of the Group's interest in the net fair value of the identifiable net assets acquired is recorded as goodwill.

Non-controlling interests represent the portion of comprehensive income and equity in subsidiaries that is not attributable to the parent Company shareholders and is presented separately from the parent shareholders' equity in the Consolidated Balance Sheet.

Intercompany transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in net assets are also eliminated. Accounting policies of subsidiaries are consistent with those adopted by the Group.

### Revenue recognition

Revenue is recognised when control of the goods has passed to the buyer. All revenue is recognised on a point of time basis being primarily the point of delivery to customers' sites. The majority of goods are dispatched by the Group's own distribution network and delivery often occurs on the day of dispatch although some are a few days later therefore revenue is recognised on delivery to the customer site. None of the Group's contractual arrangements lead to revenue being recognised over time.

Revenue is the net invoiced sales value, after deducting promotional sales related discounts invoiced by customers, including: brand support costs; customer incentives; and exclusive of value added tax of goods and services supplied to external customers during the year. Brand support costs are investments in customer promotional activities. Sales are recorded based on the price specified in the sales invoices, net of any agreed discounts and rebates. Brand support accruals are included in the statement of financial position.

Sales related discounts and rebates are calculated based on the expected amounts necessary to meet the claims of the Group's customers in respect of these discounts and rebates. When the Group expects to grant a discount or rebate to a customer, this is treated as variable consideration and adjustments are made to the transaction price using the expected value method. This variable consideration is only included to the extent that it is highly probable the inclusion will not result in a significant revenue reversal in the future.

# **Notes to the Accounts** continued

## 1. Accounting Policies continued

### Excise tax

For the cocktail business, excise duties become payable on alcoholic products when goods are moved from bonded warehouses. This duty is effectively a production tax, borne by the Group and passed on in full to customers through pricing. Excise duty on our own-produced goods are included within cost of goods sold and net revenue as all sales are delivered duty paid.

### Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components and for which discrete financial information is available. Segment results that are reported to the Board and senior executives (as chief operating decision makers) include items directly attributable to a segment as well as those that can be allocated on a consistent basis.

### Foreign currency translation

#### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in £ sterling, which is the Company's functional and the Group's presentation currency.

#### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement in the same line in which the transaction is recorded.

### Intangible assets

#### Goodwill

Goodwill represents the excess of the consideration of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment charges. Impairment charges on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

An intangible asset acquired as part of a business combination is recognised outside of goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

#### Brands

Separately acquired brands are recognised at cost at the date of purchase. Brands acquired in a business combination are recognised at fair value at the acquisition date. Brands acquired separately or through a business combination are assessed at the date of acquisition as to whether they have an indefinite life. The assessment includes whether the brand name will continue to trade, and the expected lifetime of the brand. All brands acquired to date have been assessed as having an indefinite life as they are expected to continue to contribute to the long-term future of the Group. The brands are reviewed annually for impairment, being carried at cost less accumulated impairment charges.

The fair value of a brand at the date of acquisition is based on the Relief from Royalties method, which is a valuation model based on discounted cash flows.

### Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship.

The fair value of the customer relationships at the acquisition date was based on the Multiple Excess Earnings Method (MEEM) which is a valuation model based on discounted cash flows. The useful lives of customer relationships are based on the churn rate of the acquired portfolio and are up to 10 years corresponding to a yearly amortisation of between 10% and 33%. The useful lives of all intangible assets are reviewed annually and amended, as required, on a prospective basis.

**Software costs**

Software expenditure is recognised as an intangible asset only after its technical feasibility and commercial viability can be demonstrated. Acquired computer software licences and software developed in-house are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs include resources focused on delivery of capital projects where the choice has been made to use internal resources. These costs are amortised using the straight-line method over the expected useful life of the software, which is 10 years.

**Property, plant and equipment**

Land and buildings comprise mainly factories, distribution sites and offices. All property, plant and equipment is stated at historical cost less accumulated depreciation and impairments. Historical cost includes expenditure that is directly attributable to the acquisition or construction of the assets. The purchase price of an asset will include the fair value of the consideration paid to acquire the asset. Borrowing costs directly attributable to acquisition, construction and/or production of assets that take a substantial time to complete are capitalised.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The carrying amount of any replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation is charged from the date that assets, other than land, are available for use. It is calculated using the straight-line method to allocate the cost to the residual values of the related assets using the following rates:

Buildings – 1%
Leasehold buildings – Term of lease
Plant, equipment and vehicles – 10% to 33%

Property, plant and equipment residual values and useful lives are reviewed, and adjusted if appropriate, at each year end date. The carrying value of the property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the recoverable amount may be less than the carrying value.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment is derecognised on disposal or where no future economic benefits are expected to arise from the continued use of the asset.

Gains and losses on disposals are determined by comparing the net proceeds with the carrying amount and are recognised within administration costs in the income statement.

# Notes to the Accounts continued

## 1. Accounting Policies continued

### Government grants

The Group recognises government grants in accordance with IAS 20. Grants received by the Group are recognised in the income statement and matched against the costs that the grant are intended to compensate for and are therefore shown net.

### Leases

#### The Group as lessee

For any new contracts entered into,the Group considers whether a contract is, or contains, a lease. A lease is defined as any contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- The Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- The Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct the use of the identified assets through the period of use. The Group assesses whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use

### Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment where such indicators exist.

Lease payments included in the measurement of the lease liability are made up of fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual guarantee and payments arising from options reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets (less than £1,000) using the practical expedients. Instead of recognising the right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the balance sheet, right-of-use assets and lease liabilities have been disclosed separately.

### Investment in associates

An associate is an entity over which the Group has significant influence that is neither a subsidiary nor an interest in a joint venture. 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. The investment is recognised initially in the statement of financial position at cost, and is adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. On acquisition, any excess of the cost of the investments over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in which the investment is acquired.

**Impairment of non-financial assets**
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment charge is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that is based on current market assessments of the time value of money and risks specific to the asset for which the future cash flow estimates have not been adjusted.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the impairment loss was recognised although any reversal cannot result in a carrying amount that would exceed the carrying amount that would have been recognised, net of depreciation, had no impairment loss been recognised in prior years.

**Non-derivative financial instruments**
Non-derivative financial instruments comprise investments in equity and debt securities, short-term investments, loans receivable, trade and other receivables, cash and cash equivalents, loans and borrowings, put liability, contingent consideration and trade payables.

**Trade receivables**
Trade receivables are recognised initially at transaction price. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less an allowance for expected credit losses (ECL). The Group always recognises lifetime ECL for trade receivables. The expected credit loss on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. The carrying amount of the asset is reduced by the allowance for expected credit losses and the amount of the loss is recognised in the income statement within administration costs.

**Trade and other payables**
Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

**Investments**
Investments in subsidiaries are carried at cost less impairment in the parent Company accounts.

**Short-term investments**
Short-term investments are interest-bearing deposits. They are recognised initially at fair value plus attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. The Group always recognises 12-months ECL for trade short-term investments as they are low credit risk.

**Financial assets classification**
The Group classifies its financial assets at amortised costs if both the following criteria are met:
- The asset is held within a business model whose objective is to collect the contractual cash flows; and
- The contractual terms give risk to cash flows that are solely payments of principal and interest on principal outstanding.

# **Notes to the Accounts** continued

## 1. Accounting Policies continued

### Recognition and derecognition of financial instruments

Purchases or sales of financial assets that require delivery of assets within a timeframe established by regulation or convention in the market-place (regular way trades) are recognised at the trade date, i.e. the date that the Group commits to purchase or sell the asset. All other financial assets and financial liabilities are recognised at trade date.

Financial assets are derecognised when the rights to receive cash flows from the contractual assets have expired or have been transferred and the Group has transferred all the risks and rewards of ownership.

Financial liabilities are derecognised when, and only when, the Group's obligations are discharged, cancelled or have expired.

### Cash and cash equivalents

Cash and cash equivalents include cash in hand, on demand deposits with banks and other short-term, highly liquid investments with maturities of three months or less, which are readily convertible into known amounts of cash and subject to insignificant risk of changes in value. For the purposes of the statement of cash flows, bank overdrafts repayable on demand that form an integral part of the Group's cash management are included as components of cash and cash equivalents.

### Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

### Put liability

A put liability is recognised where the Group is obliged to purchase the shares of a subsidiary from non-controlling shareholders. It is initially measured at the present value of the redemption amount in the consolidated financial statements with any changes in the measurement recognised in the income statement. The liability is recognised as a non-current liability if it is not expected to be exercised within 12 months.

### Contingent consideration

Contingent consideration resulting from business combinations, is measured at fair value using the income approach. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value of contingent consideration is based on cash flows and is classified as a non-current liability in the balance sheet.

### Derivative financial instruments and hedging activities

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risks using foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in Note 14.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value. The gain or loss on remeasurement is recognised in the income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the income statement 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 legal right and intention to offset. The impact of hedging on the Group's financial position is disclosed in Note 14. 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 expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

**Cash flow hedges**
The Group designates certain derivatives as hedging instruments in respect of foreign currency risk in cash flow hedges, including hedges of foreign exchange risk on firm commitments.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationship meets all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship. (The Group does not consider credit risk to be material but will monitor on an ongoing basis); and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The Group designates the full change in the fair value of a forward contract as the hedging instruments for all of its hedging relationships.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within administration costs. Amounts accumulated in equity are recycled through the income statement in the period when the hedged item affects profit or loss.

**Inventories**
Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completing production and selling expenses.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their primary distribution location and condition. This includes direct labour costs and an appropriate share of overheads based on normal operating activity.

**Company shares held by employee benefit trusts**
Company shares are purchased on behalf of employee benefit trusts to satisfy the liability of various employee share schemes. The amount of the consideration paid, including directly attributable costs, is recognised as a charge in equity. Purchased shares are classified as Company shares held by employee benefit trusts, and presented as a deduction from retained earnings.

**Current and deferred income tax**
Tax on the profit or loss for the year comprises current and deferred tax.

Current tax is charged in the income statement except where it relates to tax on items recognised directly in equity, in which case it is charged to equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the year end date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full using the liability method, providing for temporary differences between the tax bases of assets and liabilities and their carrying amounts, in the consolidated financial statements.

# Notes to the Accounts continued

## 1. Accounting Policies continued

The following temporary differences are not provided for:

- The initial recognition of goodwill; and
- Differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the year end date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### Employee benefits

#### Retirement benefit plans

The Group operates two pension schemes, as detailed in Note 27. The schemes are generally funded through payments to trustee-administered funds. The Group has both defined benefit and defined contribution plans.

#### Defined contribution pension plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Obligations for contributions are recognised as an expense in the income statement as they fall due. The Group has no further payment obligations once the contributions have been paid.

#### Defined benefit pension plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability/surplus recognised in the statement of financial position in respect of defined benefit pension plans is the present value of plan assets less the fair value of the defined benefit obligation. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on a settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement.

The Group's defined benefit plan was closed to future accrual on 1 May 2016.

### Share-based compensation

The Group grants equity-settled share-based payments to certain employees. These are measured at fair value (excluding the effect of non-market-based vesting conditions) at the grant date. The fair value of the equity-settled share-based payment determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. Fair value is measured using the Black-Scholes pricing model.

The Group also provides employees with the ability to purchase the Company's ordinary shares at a discount to the current market value through payroll.

The Group records as an expense the fair value of the discount on the shares purchased by the employee as a charge to the income statement and a credit to the share options reserve.

At each year end date, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to the share options reserve.

### Profit-sharing and bonus plans

The Group recognises a liability and an expense for various bonuses based on formulae that take into consideration the profit attributable to the Company's shareholders after certain adjustments.

The Group recognises a provision where there is a contractual obligation or where there is a past practice that has created a constructive obligation.

## Provisions

A provision is recognised if, as the result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

A restructuring provision is recognised when the Group has approved a detailed and formal restructuring plan which has been either announced or has commenced. Future operating costs are not provided for.

## Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

## Share repurchase programme

Any share repurchase programmes would result in the cancellation of repurchased shares and the transfer of the relevant permanent capital into a Capital Redemption Reserve. The Capital Redemption Reserve is included in "Other reserves" within equity. Refer to Note 28.

## Alternative performance measures

Alternative performance measures (APMs) are tracked by management to assess the Group's operating performance and to inform financial, strategic and operating decisions. These are therefore presented within the Annual Report and Accounts. Definitions of APMs and reconciliation to GAAP measures can be found in the Glossary on pages 199 to 204.

## Adjusting items

The Group excludes adjusting items from its non-GAAP measures because of their size, frequency and nature to allow shareholders to better understand the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess trends in financial performance more readily. These items are primarily non-operational.

# **Notes to the Accounts** continued

## 1. **Accounting Policies** continued

**Critical accounting judgements and key sources of estimation uncertainty**

The preparation of financial statements requires management to make assumptions and estimates that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. Due to the nature of estimation, the actual outcomes may well differ from these estimates.

The directors do not consider there to be any critical accounting judgements. The key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are:

**Estimates**

Retirement benefit obligations

The determination of any defined benefit pension scheme surplus/obligation is based on assumptions determined with independent actuarial advice. The assumptions used include discount rate, inflation, pension increases, salary increases, the expected return on scheme assets and mortality assumptions. The material estimations are those for which a sensitivity analysis is provided in Note 27. The directors consider that those sensitivities provided in Note 27 represent the range of possible outcomes that could reasonably be expected to occur in the next 12 months.

Sales related rebates and discounts

The Group agrees to pay customers various amounts in the form of sales related rebates and discounts. Accruals are made for each individual promotion or rebate based on the specific terms and conditions of the customer agreement. Management make estimates on an ongoing basis to assess customer performance and sales volume to calculate the total amounts earned to be deducted from revenue. Based on total rebate and discount spend in the year 3% of spend would need to be omitted to result in a material error in the value of accruals made at year end.

**Climate change considerations**

Climate change is a global challenge and an emerging risk to businesses, people and the environment across the world. We have a role to play in limiting warming by improving our energy management, reducing our carbon emissions and by helping our customers and suppliers do the same. In our view, climate change does not create any further key sources of estimation uncertainty in these financial statements. For further details, see the Risk Management and Sustainability sections of the Strategic Report.

## 2. **Segment reporting**

The Board and senior executives have been identified as the Group's chief operating decision-makers, who review the Group's internal reporting in order to assess performance and allocate resources.

The performance of the operating segments is assessed by reference to their gross profit.

**Year ended 29 January 2023**

| | **Soft drinks £m** | **Cocktail solutions £m** | **Other £m** | **Total £m** |
|---|---|---|---|---|
| Total revenue | **266.6** | **42.8** | **8.2** | **317.6** |
| Gross profit | **109.6** | **16.2** | **2.3** | **128.1** |

Year ended 30 January 2022

| | Soft drinks £m | Cocktail solutions £m | Other £m | Total £m |
|---|---|---|---|---|
| Total revenue | 230.6 | 36.9 | 1.1 | 268.6 |
| Gross profit | 103.5 | 14.7 | 0.4 | 118.6 |

There are no material intersegment sales. All revenue is in relation to product sales, which is recognised at a point in time, upon delivery to the customer.

All of the assets and liabilities of the Group are managed on a central basis rather than at a segment level. As a result, no reconciliation of segment assets and liabilities to the statement of financial position has been disclosed for either of the periods presented.

Included in revenues arising from the above segments are revenues of approximately £60.3m, which arose from sales to the Group's largest customer (2022: £51.5m). No other single customers contributed 10% or more to the Group's revenue in either 2022 or 2023.

All of the segments included within "Soft drinks" and "Cocktail solutions" meet the aggregation criteria set out in IFRS 8 Operating Segments.

**Geographical information**

The Group operates predominantly in the UK with some worldwide sales. All of the operations of the Group are based in the UK.

| Revenue | **2023 £m** | 2022 £m |
|---|---|---|
| UK | **303.7** | 257.3 |
| Rest of the world | **13.9** | 11.3 |
| | **317.6** | 268.6 |

The rest of the world revenue includes sales to the Republic of Ireland and international wholesale export houses.

All of the assets of the Group are located in the UK.

## 3. Profit before tax

The following items have been included in arriving at profit before tax:

| | Note | **2023 £m** | 2022 £m |
|---|---|---|---|
| Depreciation of property, plant and equipment | 12 | **8.2** | 8.4 |
| Depreciation of right-of-use assets | 13 | **1.6** | 1.5 |
| Amortisation of intangible assets | 11 | **1.2** | 1.3 |
| Cost of inventories charged in cost of sales | | **189.5** | 150.0 |
| Trade receivables impairment movement | 20 | **0.1** | – |
| Staff costs | 4 | **55.6** | 50.2 |

R&D costs for the year totalled £1.4m (2022: £1.3m), with elements of these costs included in the table above.

Included within administration costs (Note 6) is the auditor's remuneration, including expenses for audit and non-audit services.

# **Notes to the Accounts** continued

## 3. Profit before tax continued

The cost includes services from the Company's auditor and its associates:

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| **Statutory audit services** | | |
| Fees payable to the auditor of the parent Company and consolidated accounts | **229** | 170 |
| Fees payable to the auditor for other services: | | |
| Audit of the Company's subsidiaries pursuant to legislation | **–** | 20 |
| Audit-related assurance services | **35** | 30 |
| Other services | **6** | 5 |

## 4. Employees and directors

| | 2023 | 2022 |
|---|---|---|
| Average monthly number of people employed by the Group (including executive directors) | | |
| Production and distribution | **644** | 643 |
| Administration | **293** | 236 |
| | **937** | 879 |

### Staff costs for the Group for the year

| | 2023 £m | 2022 £m |
|---|---|---|
| Wages and salaries | **44.2** | 40.2 |
| Social security costs | **5.4** | 4.8 |
| Share-based payments | **2.0** | 1.2 |
| Pension costs – defined contribution plans | **4.0** | 3.8 |
| Pension costs – defined benefit plans | **–** | 0.2 |
| | **55.6** | 50.2 |

## 5. Other income

| | 2023 £m | 2022 £m |
|---|---|---|
| Gain on sale of property | **1.3** | 0.7 |
| Total | **1.3** | 0.7 |

The gain on sale has been included as an adjusting item, See adjusted income statement on page 201.

## 6. Operating expenses

| | 2023 £m | 2022 £m |
|---|---|---|
| Distribution costs (including selling costs) | **48.7** | 41.7 |
| Administration costs | **35.4** | 34.9 |
| | **84.1** | 76.6 |

## 7. Net finance costs

| | 2023 £m | 2022 £m |
|---|---|---|
| Interest receivable on short-term deposits | **0.5** | – |
| | | |
| Interest payable | **(0.2)** | (0.2) |
| Lease interest | **(0.1)** | (0.1) |
| Finance costs relating to defined benefit pension plans (Note 27) | **–** | (0.1) |
| Unwind of discount | **(1.1)** | – |
| | **(0.9)** | (0.4) |

## 8. Taxation

| Group | 2023 £m | 2022 £m |
|---|---|---|
| **Charge/(credit) to the income statement** | | |
| Current tax on profits for the year | **7.0** | 7.1 |
| Adjustments in respect of prior years | **0.7** | (0.3) |
| Total current tax expense | **7.7** | 6.8 |
| **Deferred tax** | | |
| Origination and reversal of: | | |
| Temporary differences | **3.5** | 1.3 |
| Adjustment for change in corporation tax rate | **–** | 5.7 |
| Adjustments in respect of prior years | **(0.7)** | 0.6 |
| Total deferred tax expense (Note 25) | **2.8** | 7.6 |
| Total tax expense | **10.5** | 14.4 |

In addition to the above movements in deferred tax, a deferred tax debit of £0.6m (2022: credit of £0.3m) has been recognised in other comprehensive income and a debit of £0.2m (2022: credit of £0.4m) has been taken direct to reserves (Note 25). In addition, a deferred tax liability of £4.3m has been recognised on the acquisition of Boost (Note 15).

# **Notes to the Accounts** continued

## 8. Taxation continued

The tax on the Group's profit before tax differs from the amount that would arise using the tax rate applicable to the consolidated profits of the Group as follows:

| | 2023 £m | 2023 % | 2022 £m | 2022 % |
|---|---|---|---|---|
| Profit before tax | **44.4** | | 42.2 | |
| Tax at 19% (2022: 19.0%) | **8.4** | **19.0** | 8.0 | 19.0 |
| Tax effects of: | | | | |
| Items that are not deductible in determining taxable profit | **2.1** | **4.6** | 0.4 | 0.9 |
| Current tax adjustment in respect of prior years | **0.7** | **1.6** | (0.3) | (0.7) |
| Deferred tax adjustment in respect of prior years | **(0.7)** | **(1.6)** | 0.6 | 1.4 |
| Deferred tax adjustment in respect of change in corporation tax rates | **–** | **–** | 5.7 | 13.5 |
| **Total tax expense** | **10.5** | **23.6** | 14.4 | 34.1 |

The weighted average tax rate was 23.6% (2022: 34.1%).

In March 2021, the UK Government announced that the corporation tax rate would increase from 19% to 25% effective from 1 April 2023, which was substantively enacted on 24 May 2021. The impact of this was a one-off increase in the deferred tax charge of £5.7m. The Finance Act 2022, which received Royal Assent on 24 February 2022, will not have any impact on the corporation tax figures.

## 9. Earnings per share

Basic earnings per share has been calculated by dividing the earnings attributable to equity holders of the parent by the weighted average number of shares in issue during the year, excluding shares held by the employee share scheme trusts.

| | 2023 | 2022 |
|---|---|---|
| Profit attributable to equity holders of the Company (£m) | **33.9** | 27.9 |
| Weighted average number of ordinary shares in issue | **111,258,209** | 111,187,778 |
| **Basic earnings per share (pence)** | **30.47** | 25.09 |

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. These represent share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year. The number of shares as calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options.

| | 2023 | 2022 |
|---|---|---|
| Profit attributable to equity holders of the Company (£m) | **33.9** | 27.9 |
| Weighted average number of ordinary shares in issue | **111,258,209** | 111,187,778 |
| Adjustment for dilutive effect of share options | **920,512** | 657,074 |
| Diluted weighted average number of ordinary shares in issue | **112,178,721** | 111,844,852 |
| **Diluted earnings per share (pence)** | **30.22** | 24.95 |

## 10. Dividends

Dividends paid in the financial year were as follows:

| | **2023 per share** | 2022 per share | **2023 £m** | 2022 £m |
|---|---|---|---|---|
| Final dividend | **10.00p** | – | **11.1** | – |
| Interim dividend | **2.50p** | 2.00p | **2.8** | 2.2 |
| Special dividend | **–p** | 10.00p | **–** | 11.2 |
| | **12.50p** | 12.00p | **13.9** | 13.4 |

The directors have proposed a final dividend in respect of the year ended 29 January 2023 of 10.6p per share. It will be paid on 9 June 2023 to all shareholders who are on the Register of Members on 12 May 2023.

In the year ended 30 January 2022, following a review of the Group's net cash position and future funding requirements, the Board approved a special dividend of 10.0p per share recognising the benefit of a number of one-off cash inflows that were outside normal trading.

Dividends payable in respect of the financial year were as follows:

| | **2023 per share** | 2022 per share |
|---|---|---|
| Final dividend | **10.60p** | 10.00p |
| Interim dividend | **2.50p** | 2.00p |
| | **13.10p** | 12.00p |
| Special dividend | **–** | 10.00p |
| Total dividend payable | **13.10p** | 22.00p |

# **Notes to the Accounts** continued

## 11. Intangible assets

| Group | Goodwill £m | Brands £m | Customer relationships £m | Water rights £m | Software development costs £m | Total £m |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 24 January 2021 | 39.0 | 57.1 | 3.9 | 0.7 | 11.8 | 112.5 |
| Additions | 1.0 | 8.4 | – | – | – | 9.4 |
| At 30 January 2022 | 40.0 | 65.5 | 3.9 | 0.7 | 11.8 | 121.9 |
| Additions | 1.9 | 16.9 | – | – | – | 18.8 |
| **At 29 January 2023** | **41.9** | **82.4** | **3.9** | **0.7** | **11.8** | **140.7** |
| **Amortisation and impairment losses** | | | | | | |
| At 24 January 2021 | 3.6 | 7.3 | 3.8 | 0.7 | 6.6 | 22.0 |
| Amortisation for the year | – | – | 0.1 | – | 1.2 | 1.3 |
| At 30 January 2022 | 3.6 | 7.3 | 3.9 | 0.7 | 7.8 | 23.3 |
| Amortisation for the year | – | – | – | – | 1.2 | 1.2 |
| **At 29 January 2023** | **3.6** | **7.3** | **3.9** | **0.7** | **9.0** | **24.5** |
| **Carrying amounts** | | | | | | |
| **At 29 January 2023** | **38.3** | **75.1** | **–** | **–** | **2.8** | **116.2** |
| At 30 January 2022 | 36.4 | 58.2 | – | – | 4.0 | 98.6 |

During the year ended 29 January 2023, the Group acquired a 100% interest in Boost Drinks Holdings Limited ("Boost"). In addition the Group acquired the remaining 38.2% interest in MOMA Foods Ltd ("MOMA") having acquired a 61.8% controlling interest in the prior year. Details of brand and goodwill recognised on acquisition are included in Note 15.

The remaining goodwill and brands recognised relate primarily to the acquisition of Rubicon Drinks Limited and FUNKIN Limited. The software development costs represent internally generated software development costs and third party consultancy costs in relation to the Business Process Redesign project implemented in 2015.

The opening customer relationships balance represents intangible assets recognised on the acquisition of Rubicon Drinks Limited and FUNKIN Limited. The amortisation charge represents the spreading of the cost over the assets' expected useful lives. All customer relationships are fully amortised.

The amortisation costs for the year to 29 January 2023 have been included in the income statement as administration costs.

| Company | Goodwill £m | Brands £m | Customer relationships £m | Water rights £m | Software development costs £m | Total £m |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 24 January 2021 | 1.9 | 7.3 | 1.0 | 0.7 | 11.8 | 22.7 |
| At 30 January 2022 | 1.9 | 7.3 | 1.0 | 0.7 | 11.8 | 22.7 |
| **At 29 January 2023** | **1.9** | **7.3** | **1.0** | **0.7** | **11.8** | **22.7** |
| **Amortisation and impairment losses** | | | | | | |
| At 24 January 2021 | 1.9 | 7.3 | 1.0 | 0.7 | 6.7 | 17.6 |
| Amortisation for the year | – | – | – | – | 1.2 | 1.2 |
| At 30 January 2022 | 1.9 | 7.3 | 1.0 | 0.7 | 7.9 | 18.8 |
| Amortisation for the year | – | – | – | – | 1.2 | 1.2 |
| **At 29 January 2023** | **1.9** | **7.3** | **1.0** | **0.7** | **9.1** | **20.0** |
| **Carrying amounts** | | | | | | |
| **At 29 January 2023** | **–** | **–** | **–** | **–** | **2.7** | **2.7** |
| At 30 January 2022 | – | – | – | – | 3.9 | 3.9 |

The goodwill and brands recognised in the Company relate to the acquisition of the Strathmore Water business. The software development costs represent internally generated software development costs and third party consultancy costs incurred in relation to the Business Process Redesign project.

**Impairment tests for goodwill and brands**

For impairment testing, goodwill and brands are allocated to the cash-generating unit (CGU) representing the lowest level at which goodwill is monitored for internal management purposes. The Group tests whether there has been any impairment of intangible assets on an annual basis or when there is an indication of impairment. The recoverable amount of a CGU is based on value in use calculations. These calculations use pre-tax cash flow projections based on financial forecasts approved by management which cover a five-year period. Cash flows beyond five years are extrapolated using the growth rates and other key assumptions noted below.

The aggregate carrying amounts of goodwill allocated to each CGU are:

| At 29 January 2023 | Goodwill £m | Brands £m | Total £m |
|---|---|---|---|
| Rubicon | **21.0** | **43.0** | **64.0** |
| FUNKIN | **14.4** | **6.8** | **21.2** |
| MOMA | **1.0** | **8.4** | **9.4** |
| Boost | **1.9** | **16.9** | **18.8** |
| **Total** | **38.3** | **75.1** | **113.4** |

| At 30 January 2022 | Goodwill £m | Brands £m | Total £m |
|---|---|---|---|
| Rubicon | 21.0 | 43.0 | 64.0 |
| FUNKIN | 14.4 | 6.8 | 21.2 |
| MOMA | 1.0 | 8.4 | 9.4 |
| Total | 36.4 | 58.2 | 94.6 |

# Notes to the Accounts continued

## 11. Intangible assets continued

Key assumptions for each CGU:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | **Long-term growth rate %** | **Discount rate %** | Long-term growth rate % | Discount rate % |
| Rubicon | **3.0** | **9.5** | 2.0 | 8.7 |
| FUNKIN | **3.0** | **9.5** | 2.0 | 8.7 |
| MOMA | **3.0** | **9.5** | 3.0 | 18.0 |
| Boost | **2.3** | **9.5** | – | – |

### Key assumptions used in value in use calculations

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

- Volume growth rates – reflect management expectations of volume growth based on growth achieved to date, current strategy and expected market trends, and will vary according to each CGU.
- Marginal contribution – being revenue less material costs and all other marginal costs that management considers to be directly attributable to the sale of a given product. Marginal contribution is based on approved financial budgets. Key assumptions are made within these budgets about pricing, discounts and costs based on historical data, current strategy and expected market trends.
- Advertising and promotional spend – financial budgets approved by management are used to determine the value assigned to advertising and promotional spend. This is based on planned spend for year one and strategic intent thereafter.
- Raw material price, production and distribution costs, selling costs and other overhead inflation – based on approved financial budgets, which incorporate current material coverage, current strategy and expected market trends.
- The discount rate reflects management's estimate of post-tax cost of capital adjusted for the specific risks impacting on each operating unit. The estimated pre-tax cost of capital is based on guidance provided by an independent third party to the Group.

Sensitivity analysis was carried out on the above calculations to review possible levels of impairment under a range of different assumptions, e.g. adjusting discount rates. At a pre-tax rate of 20%, or a reduction in long-term growth of 1%, there would be no impairment. Whilst cash flow projections used within the impairment reviews are subject to inherent uncertainty, reasonably possible changes to the key assumptions applied in assessing the value in use calculation would not result in a change in the impairment conclusions reached.

## 12. Property, plant and equipment

| Group | Land and buildings Freehold £m | Land and buildings Long leasehold £m | Plant, equipment and vehicles £m | Assets under construction £m | Total £m |
|---|---|---|---|---|---|
| **Cost or deemed cost** | | | | | |
| At 24 January 2021 | 64.8 | 0.4 | 109.9 | 2.6 | 177.7 |
| Additions | 0.2 | – | 1.0 | 4.6 | 5.8 |
| Transfer from assets under construction | 0.6 | – | 2.7 | (3.3) | – |
| Disposals | (0.1) | – | (0.4) | – | (0.5) |
| At 30 January 2022 | 65.5 | 0.4 | 113.2 | 3.9 | 183.0 |
| Additions | 0.4 | – | 4.0 | 12.6 | 17.0 |
| Transfer from assets under construction | 0.3 | – | 0.3 | (0.6) | – |
| Disposals | (0.3) | – | (6.9) | – | (7.2) |
| **At 29 January 2023** | **65.9** | **0.4** | **110.6** | **15.9** | **192.8** |
| **Depreciation** | | | | | |
| At 24 January 2021 | 7.4 | 0.4 | 73.5 | – | 81.3 |
| Amount charged for year | 0.8 | – | 7.6 | – | 8.4 |
| Disposals | (0.1) | – | (0.4) | – | (0.5) |
| At 30 January 2022 | 8.1 | 0.4 | 80.7 | – | 89.2 |
| Amount charged for year | 0.8 | – | 7.4 | – | 8.2 |
| Disposals | (0.1) | – | (7.0) | – | (7.1) |
| **At 29 January 2023** | **8.8** | **0.4** | **81.1** | **–** | **90.3** |
| **Net book value** | | | | | |
| **At 29 January 2023** | **57.1** | **–** | **29.5** | **15.9** | **102.5** |
| At 30 January 2022 | 57.4 | – | 32.5 | 3.9 | 93.8 |

# **Notes to the Accounts** continued

## 12. Property, plant and equipment continued

| Company | Land and buildings Freehold £m | Land and buildings Long leasehold £m | Plant, equipment and vehicles £m | Assets under construction £m | Total £m |
|---|---|---|---|---|---|
| **Cost or deemed cost** | | | | | |
| At 24 January 2021 | 41.9 | 0.3 | 109.1 | 2.7 | 154.0 |
| Additions | 0.1 | – | 0.9 | 4.5 | 5.5 |
| Transfer from assets under construction | 0.6 | – | 2.7 | (3.3) | – |
| Disposals | – | – | (0.4) | – | (0.4) |
| At 30 January 2022 | 42.6 | 0.3 | 112.3 | 3.9 | 159.1 |
| Additions | 0.4 | – | 3.9 | 12.6 | 16.9 |
| Transfer from assets under construction | 0.3 | – | 0.3 | (0.6) | – |
| Disposals | (0.3) | – | (7.0) | – | (7.3) |
| **At 29 January 2023** | **43.0** | **0.3** | **109.5** | **15.9** | **168.7** |
| **Depreciation** | | | | | |
| At 24 January 2021 | 4.0 | 0.3 | 72.8 | – | 77.1 |
| Amount charged for year | 0.5 | – | 7.5 | – | 8.0 |
| Disposals | – | – | (0.4) | – | (0.4) |
| At 30 January 2022 | 4.5 | 0.3 | 79.9 | – | 84.7 |
| Amount charged for year | 0.5 | – | 7.2 | – | 7.7 |
| Disposals | (0.1) | – | (6.9) | – | (7.0) |
| **At 29 January 2023** | **4.9** | **0.3** | **80.2** | **–** | **85.4** |
| **Net book value** | | | | | |
| **At 29 January 2023** | **38.1** | **–** | **29.3** | **15.9** | **83.3** |
| At 30 January 2022 | 38.1 | – | 32.4 | 3.9 | 74.4 |

At 29 January 2023, the Group and the Company had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £8.7m (2022: £9.5m).

## 13. Leases

This note provides information for leases where the Group is a lessee. The Group is not a lessor.

### (i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

| | Group | | Company | |
|---|---|---|---|---|
| | **2023 £m** | 2022 £m | **2023 £m** | 2022 £m |
| **Right-of-use assets** | | | | |
| Buildings | **1.8** | 0.7 | **18.9** | 19.7 |
| Plant, equipment and vehicles | **3.6** | 3.5 | **4.1** | 3.5 |
| | **5.4** | 4.2 | **23.0** | 23.2 |
| **Lease liabilities** | | | | |
| Current | **1.5** | 1.3 | **2.9** | 2.6 |
| Non-current | **3.6** | 2.8 | **18.4** | 19.3 |
| | **5.1** | 4.1 | **21.3** | 21.9 |

Company only right-of-use assets and lease liabilities relate to assets leased under the asset-backed funding arrangements, as outlined in Note 27.

Additions to the right-of-use assets during 2023 were £2.9m (2022:£3.1m) for the Group £1.4m (2022: £3.1m) for the Company.

### (ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

| | **2023 £m** | 2022 £m |
|---|---|---|
| **Depreciation charge of right-of-use assets** | | |
| Buildings | **0.6** | 0.4 |
| Plant, equipment and vehicles | **1.0** | 1.1 |
| | **1.6** | 1.5 |
| Interest expense (including finance cost) | **0.1** | 0.1 |
| Expense related to short-term leases (included in cost of goods sold and administrative expenses) | **0.1** | 0.1 |

The total cash outflow for leases in 2023 was £1.7m (2022: £1.5m).

At 29 January 2023 the Group has no commitments for short-term leases.

There are no expenses in relation to variable lease payments not included in the measurement of the lease liabilities or income from sub-leasing right-of-use assets.

# **Notes to the Accounts** continued

## 13. **Leases** continued

### (iii) The Group's leasing activities and how these are accounted for

The Group leases various offices, equipment and vehicles. Rental contracts are typically made for fixed periods of 12 months to 10 years, but may have extension options as described in (iv).

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However for leases for real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the Group under residual value guarantees
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:
- Where possible, uses recent third-party financing received by the Group as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received
- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases
- Makes adjustments specific to the lease, e.g. term, country, currency and security

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:
- The amount of the initial measurement of the lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs
- Restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of equipment and vehicles, and all leases of low-value assets, are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

### (iv) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options are exercisable only by the Group and not by the respective lessor.

### (v) Residual value guarantees

To optimise lease costs during the contract period, the Group sometimes provides residual value guarantees in relation to equipment leases.

The Group initially estimates and recognises amounts expected to be paid under residual value guarantee as part of the lease liability. Typically, the expected residual value at lease commencement is equal to or higher than the guaranteed amount, so the Group does not expect to pay anything under the guarantees.

## 14. Financial instruments

| | **2023 £m** | 2022 £m |
|---|---|---|
| **Derivative financial assets – current** | | |
| Derivatives that are designated and effective as hedging instruments carried at fair value: | | |
| Foreign currency forward contracts | **0.1** | – |
| **Derivative financial liabilities – current** | | |
| Derivatives that are designated and effective as hedging instruments carried at fair value: | | |
| Foreign currency forward contracts | **0.1** | 0.2 |

It is the policy of the Group to enter into foreign exchange forward contracts to manage the foreign currency risk associated with anticipated purchase transactions out to 18 months. This is hedged on a sliding scale basis where the nearer the time of the purchase, the greater the amount hedged will be.

For the hedges of highly probable forecast purchases, as the critical terms (i.e. the notional amount, life and underlying contracts) of the foreign exchange forward 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 forward contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying exchange rates. The Group assesses the ineffectiveness by comparing past changes in the fair value of the foreign exchange forward contracts with changes in the fair value of a hypothetical derivative.

The main sources of hedge ineffectiveness in these hedging relationships are foreign currency basis spread and the effect of the counterparty and the Group's own credit risk on the fair value of the forward contracts, which is not reflected in the fair value of the hedged item attributable to changes in foreign exchange rates. Both items are not material to the Group. No other sources of ineffectiveness emerged from these hedge relationships.

The cumulative amount of gains and losses on effective hedging instruments are held within the cashflow reserve in 'Other reserves'.

# **Notes to the Accounts** continued

## 14. Financial instruments continued

The following table details the foreign currency forward contracts outstanding at the end of the reporting period, as well as information regarding their related hedged items. Foreign currency forward contract assets and liabilities are presented in the line "Derivative financial instruments" (either as assets or as liabilities) within the statement of financial position. All of the currency forward contracts are designated as cash flow hedges.

| | Average exchange rate | | Notional value: Foreign currency | | Notional value: Local currency | | Carrying amount of the hedging instruments liabilities | |
|---|---|---|---|---|---|---|---|---|
| | **2023** | 2022 | **2023 €m** | 2022 €m | **2023 £m** | 2022 £m | **2023 £m** | 2022 £m |
| **Buy EUR** | | | | | | | | |
| Less than 3 months | **1.15** | 1.17 | **4.3** | 3.6 | **3.8** | 3.1 | **0.1** | (0.1) |
| 3 to 6 months | **1.14** | 1.16 | **3.5** | 3.1 | **3.1** | 2.5 | **–** | (0.1) |
| 6 to 12 months | **1.13** | 1.16 | **2.5** | 1.8 | **2.2** | 1.6 | **–** | – |
| over 12 months | **1.12** | 1.15 | **0.4** | 0.4 | **0.4** | 0.3 | **–** | – |
| | **2023** | 2022 | **2023 $m** | 2022 $m | **2023 £m** | 2022 £m | **2023 £m** | 2022 £m |
| **Buy USD** | | | | | | | | |
| Less than 3 months | **1.22** | – | **1.7** | – | **1.4** | – | **(0.1)** | – |
| 3 to 6 months | **1.22** | 1.35 | **1.3** | 1.4 | **1.1** | 1.0 | **–** | – |
| | | | | | | | **–** | (0.2) |

### Group and Company

Fair value hierarchies 1 to 3 are based on the degree to which fair value is observable:
Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: 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)
Level 3: inputs for the asset or liability that are not based on observable market data

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The fair value of the forward foreign exchange contracts is determined using forward exchange rates at the date of the statement of financial position, with the resulting value discounted accordingly as relevant.

The following tables show the carrying amounts and fair values of financial assets and financial liabilities. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

| Group<br>At 29 January 2023 | Carrying amount<br>Fair value – hedging instruments<br>£m | Other financial assets at amortised cost<br>£m | Other financial liabilities at fair value through profit and loss<br>£m | Other financial liabilities at amortised cost<br>£m | Total<br>£m |
|---|---|---|---|---|---|
| **Financial assets – Non-current** | | | | | |
| Loan receivable* | – | 0.5 | – | – | 0.5 |
| Loan receivable from associate | – | 1.0 | – | – | 1.0 |
| | – | 1.5 | – | – | 1.5 |
| **Financial assets – Current** | | | | | |
| Foreign exchange contracts used for hedging | 0.1 | – | – | – | 0.1 |
| Trade receivables | – | 55.8 | – | – | 55.8 |
| Short-term investments | – | 40.0 | – | – | 40.0 |
| Cash and cash equivalents | – | 13.6 | – | – | 13.6 |
| | 0.1 | 109.4 | – | – | 109.5 |
| **Financial liabilities – Non-current** | | | | | |
| Contingent consideration | – | – | 0.8 | – | 0.8 |
| Lease liabilities | – | – | – | 3.6 | 3.6 |
| | – | – | 0.8 | 3.6 | 4.4 |
| **Financial liabilities – Current** | | | | | |
| Bank borrowings | – | – | – | 0.7 | 0.7 |
| Foreign exchange contracts used for hedging | 0.1 | – | – | – | 0.1 |
| Lease liabilities | – | – | – | 1.5 | 1.5 |
| Accruals | – | – | – | 27.2 | 27.2 |
| Trade payables | – | – | – | 37.2 | 37.2 |
| | 0.1 | – | – | 66.6 | 66.7 |

# Notes to the Accounts continued

## 14. Financial instruments continued

The contingent consideration is carried at fair value and classified as level 3 fair value in the fair value hierarchy. The main unobservable input is whether or the profit targets for the pay-out are expected to be met. The performance targets are expected to be met and the fair value of this contingent consideration earned was estimated to be £0.8m at 29 January 2023. See also Note 24.

| Group<br>At 30 January 2022 | Carrying amount<br>Fair value – hedging instruments £m | Other financial assets at amortised cost £m | Other financial liabilities at fair value through profit and loss £m | Other financial liabilities at amortised cost £m | Total £m |
|---|---|---|---|---|---|
| **Financial assets – Non-current** | | | | | |
| Loan receivable* | – | 0.5 | – | – | 0.5 |
| Loan receivable from associate | – | 1.0 | – | – | 1.0 |
| | – | 1.5 | – | – | 1.5 |
| **Financial assets – Current** | | | | | |
| Trade receivables | – | 41.6 | – | – | 41.6 |
| Cash and cash equivalents | – | 68.7 | – | – | 68.7 |
| | – | 110.3 | – | – | 110.3 |
| **Financial liabilities – Non-current** | | | | | |
| Put option | – | – | 5.0 | – | 5.0 |
| Lease liabilities | – | – | – | 2.8 | 2.8 |
| | – | – | 5.0 | 2.8 | 7.8 |
| **Financial liabilities – Current** | | | | | |
| Bank borrowings | – | – | – | 0.3 | 0.3 |
| Foreign exchange contracts used for hedging | 0.2 | – | – | – | 0.2 |
| Lease liabilities | – | – | – | 1.3 | 1.3 |
| Accruals | – | – | – | 31.3 | 31.3 |
| Trade payables | – | – | – | 15.8 | 15.8 |
| | 0.2 | – | – | 48.7 | 48.9 |

* The loan receivable was provided in August 2021. The earliest repayment date is August 2023.

| Company<br>At 29 January 2023 | Carrying amount<br>Fair value – hedging instruments<br>£m | Other financial assets at amortised cost<br>£m | Other financial liabilities at amortised cost<br>£m | Total<br>£m |
|---|---|---|---|---|
| **Financial assets – Non-current** | | | | |
| Loan receivable* | – | 0.5 | – | 0.5 |
| Loan receivable from associate | – | 1.0 | – | 1.0 |
| | – | 1.5 | – | 1.5 |
| **Financial assets – Current** | | | | |
| Foreign exchange contracts used for hedging | 0.1 | – | – | 0.1 |
| Trade and other receivables and amounts due from subsidiary companies | – | 39.0 | – | 39.0 |
| Short term investments | – | 40.0 | – | 40.0 |
| Cash and cash equivalents | – | 11.5 | – | 11.5 |
| | 0.1 | 90.5 | – | 90.6 |
| **Financial liabilities – Non-current** | | | | |
| Contingent consideration | – | 0.8 | – | 0.8 |
| Lease liabilities | – | – | 18.4 | 18.4 |
| | – | 0.8 | 18.4 | 19.2 |
| **Financial liabilities – Current** | | | | |
| Foreign exchange contracts used for hedging | 0.1 | – | – | 0.1 |
| Lease liabilities | – | – | 2.9 | 2.9 |
| Accruals | – | – | 20.6 | 20.6 |
| Trade payables and amounts due to other subsidiary companies | – | – | 33.0 | 33.0 |
| | 0.1 | – | 56.5 | 56.6 |

# **Notes to the Accounts** continued

## 14. Financial instruments continued

| Company<br>At 30 January 2022 | Carrying amount<br>Fair value – hedging instruments<br>£m | Other financial assets at amortised cost<br>£m | Other financial liabilities at amortised cost<br>£m | Total<br>£m |
|---|---|---|---|---|
| **Financial assets – Non-current** | | | | |
| Loan receivable* | – | 0.5 | – | 0.5 |
| Loan receivable from associate | – | 1.0 | – | 1.0 |
| | – | 1.5 | – | 1.5 |
| **Financial assets – Current** | | | | |
| Trade and other receivables and amounts due from subsidiary companies | – | 34.6 | – | 34.6 |
| Cash and cash equivalents | – | 59.1 | – | 59.1 |
| | – | 93.7 | – | 93.7 |
| **Financial liabilities – Non-current** | | | | |
| Lease liabilities | – | – | 19.3 | 19.3 |
| | – | – | 19.3 | 19.3 |
| **Financial liabilities – Current** | | | | |
| Foreign exchange contracts used for hedging | 0.2 | – | – | 0.2 |
| Accruals | – | – | 27.1 | 27.1 |
| Lease liabilities | – | – | 2.6 | 2.6 |
| Trade payables and amounts due to other subsidiary companies | – | – | 25.9 | 25.9 |
| | 0.2 | – | 55.6 | 55.8 |

* The loan receivable was provided in August 2021. The earliest repayment date is August 2023.

All financial instruments at fair value sit within Level 2 of the fair value hierarchy with the exception of the contingent consideration that sits within Level 3.

The carrying amount of the other financial assets and liabilities approximates to the fair value due to the short term to maturity and/or not bearing interest.

The cumulative amount of gains and losses on effective hedging instruments are held within the cash flow hedge reserve in "Other reserves".

## 15. Investment in subsidiaries

| | Company | |
|---|---|---|
| | **2023 £m** | 2022 £m |
| Opening investment in subsidiaries | **90.3** | 84.1 |
| Investments made in the year | **23.3** | 6.2 |
| Closing investment in subsidiaries | **113.6** | 90.3 |

On 5 December 2022, the Group acquired 100% of the shares and voting interests in Boost Drinks Holdings Limited ("Boost") granting it control. Included in the identifiable assets and liabilities of Boost are inputs (inventories, receivables and payables) and an experienced workforce with technical expertise. The Group has concluded that, together, the acquired inputs and processes are a business that will create value by generating revenue in the soft drinks category, supported by the Group's brand building capability.

For the two months ended 29 January 2023, Boost contributed revenue of £7.3m and had an immaterial impact on profit. Had Boost been a subsidiary for the full financial year, it would have contributed c.£50m revenue to the Group and c.£1.0m profit.

The value of the identifiable assets and liabilities of Boost at the date of acquisition were:

| | £m |
|---|---|
| Property, plant and equipment | 0.2 |
| Right-of-use assets | 0.3 |
| Intangible assets | 16.9 |
| Inventory | 6.0 |
| Trade receivables | 8.5 |
| Cash and cash equivalents | 1.3 |
| Trade payables | (7.1) |
| Accruals | (2.8) |
| Lease creditors | (0.3) |
| Other taxes and social security | (0.7) |
| Current tax | (0.2) |
| Deferred tax | (4.1) |
| **Total identifiable net assets acquired** | **18.0** |
| Goodwill | 1.9 |
| Value on acquisition | 19.9 |
| **Total consideration** | 19.9 |
| Represented by: | |
| **Cash** | 19.9 |

The acquisition includes a potential additional consideration of up to £12.0m payable depending on the successful delivery of future performance during an earn-out period commencing 1 December 2022 and ending 20 November 2024 as outlined in Note 24.

# **Notes to the Accounts** continued

## 15. Investment in subsidiaries continued

On 20 December 2022 the Group acquired the remaining 38.2% equity stake in MOMA Foods Ltd ("MOMA") for a total cash consideration of £3.4m.

On 6 December 2021, the Group acquired 61.8% of the shares and voting interests in MOMA granting it control. Included in the identifiable assets and liabilities of MOMA are inputs (inventories, receivables and payables) and an experienced workforce with technical expertise. The Group has concluded that, together, the acquired inputs and processes are a business that will create value by generating revenue in the growing plant-based drinks category, supported by the Group's brand building capability.

The value of the identifiable assets and liabilities of MOMA at the date of acquisition were:

| | £m |
|---|---|
| Property, plant and equipment | 0.2 |
| Intangible assets | 8.4 |
| Inventory | 0.6 |
| Trade receivables | 1.0 |
| Prepayments | 0.1 |
| Cash and cash equivalents | 0.4 |
| Trade payables | (0.7) |
| Accruals | (0.7) |
| Loans | (0.3) |
| **Total identifiable net assets acquired** | **9.0** |
| Goodwill | 1.0 |
| Value on acquisition | 10.0 |
| Non-controlling interest | (3.8) |
| **Total consideration** | 6.2 |
| Represented by: | |
| **Cash** | 6.2 |

As part of the arrangements with non-controlling shareholders of MOMA, the Group issued put options to the sellers to sell the remaining shares and simultaneously the seller issued call options to the Group to purchase the remaining shares. At the acquisition date, the Group recognised a put liability of £8.6m recorded at a present value of £5.0m being the estimated redemption value, using forecast revenue of MOMA, discounted at a post-tax rate of 18%.

The put liability was derived from an internal valuation, using forecast revenue over the exercise period, discounted at a post-tax rate of 18% and assumed the option was exercised in full in the third year following the date of acquisition. As the Group now owns 100% of MOMA the put liability has been released in the year to 29 January 2023.

**Acquisition-related costs**

The Group incurred acquisition-related costs of £1.2m (year to 30 January 2022 £0.2m) on legal fees and due diligence costs. These costs have been included in 'Administrative expenses'.

The goodwill arising represents potential revenue synergies. It is anticipated that on disposal, goodwill and brand will be deductible for tax purposes.

The principal subsidiaries are as follows:

| Principal subsidiary | Principal activity | Country of incorporation | Country of principal operations |
|---|---|---|---|
| FUNKIN Limited | Distribution and selling of cocktail solutions | England | UK |
| FUNKIN USA Limited | Distribution and selling of cocktail solutions | England | UK |
| Rubicon Drinks Limited | Distribution of fruit based soft-drinks | England | UK |
| MOMA Foods Ltd | Distribution and selling of oat drinks and cereals | England | UK |
| Boost Drinks Limited | Distribution and selling of soft-drinks | England | UK |

A.G. BARR p.l.c. holds 100% of the equity and votes of the subsidiaries. (Year ended 30 January 2022: 100% with the exception of MOMA: 68.2%). The subsidiaries have the same year end as A.G. BARR p.l.c. and have been included in the Group consolidation. The companies listed are the trading subsidiaries. Refer to Note 31 for a full list of subsidiary companies.

## 16. Investment in associates

In June 2019, the Group made a £1m investment in Elegantly Spirited Limited, acquiring a 20% stake in the business. In November 2020, a £1m loan was provided as disclosed in Note 14.

The following entities have been included in the consolidated financial statements using the equity method:

| | | % of ownership interest | | Carrying amount | |
|---|---|---|---|---|---|
| Name of entity | Country of incorporation and principal place of business | **2023 %** | 2022 % | **2023 £m** | 2022 £m |
| Elegantly Spirited Limited | UK | **20** | 20 | **0.7** | 0.7 |

The primary business of Elegantly Spirited Limited is a brand builder, marketing and selling a range of zero proof distilled spirits. The address of its registered office is 19 Langham Street, London, England, W1W 6BP. This investment is consistent with our strategy of building a branded portfolio of products across both alcohol and non-alcohol beverages. The investment is not considered a material associate and therefore disclosures are limited to the section below.

# Notes to the Accounts continued

## 16. Investment in associates continued

**Aggregate information of associates that are not individually material**

| | 2023 £m | 2022 £m |
|---|---|---|
| Carrying amount of individually immaterial associates | **0.7** | 0.7 |
| Aggregate amounts of the Group's share of: | | |
| Loss from continuing operations | **–** | (0.1) |
| Total comprehensive expense | **–** | (0.1) |

| | 2023 £m | 2022 £m |
|---|---|---|
| Opening balance at start of year | **0.7** | 0.8 |
| Share of operating losses | **–** | (0.1) |
| **Closing balance at end of year** | **0.7** | 0.7 |

## 17. Short-term investments

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 £m | 2022 £m | 2023 £m | 2022 £m |
| Short-term investments | **40.0** | – | **40.0** | – |

These deposits are made for durations of three months to no more than six months. These investments are due to mature by April 2023 when accrued interest will then be received.

## 18. Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 £m | 2022 £m | 2023 £m | 2022 £m |
| Cash and cash equivalents | **13.6** | 68.7 | **11.5** | 59.1 |

Cash and cash equivalents in the table above are included in the cash flow statements.

## 19. Inventories

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 £m | 2022 £m | 2023 £m | 2022 £m |
| Materials | **9.8** | 9.8 | **9.8** | 9.8 |
| Finished goods | **24.9** | 14.4 | **12.9** | 11.2 |
| | **34.7** | 24.2 | **22.7** | 21.0 |

## 20. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2023 £m** | 2022 £m | **2023 £m** | 2022 £m |
| Trade receivables | **56.0** | 41.7 | **39.1** | 34.7 |
| Less: loss allowance | **(0.2)** | (0.1) | **(0.1)** | (0.1) |
| Trade receivables – net | **55.8** | 41.6 | **39.0** | 34.6 |
| Prepayments | **4.6** | 2.7 | **3.8** | 2.3 |
| Amounts due by subsidiary companies | **–** | – | **1.9** | 0.3 |
| | **60.4** | 44.3 | **44.7** | 37.2 |

**Trade receivables**
The average credit period on sales of goods is 60 days. No interest is charged on outstanding trade receivables.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience on the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

The Group writes off a trade receivable when there is information that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceeding. None of the trade receivables that have been written off are subject to enforcement activities.

The maximum exposure for both the Group and the Company to credit risk for trade receivables are the balances in the table above.

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

The Group's and Company's most significant customer, a UK major customer, accounts for £9.1m of the trade receivables carrying amount at 29 January 2023 (30 January 2022: £9.4m).

# Notes to the Accounts continued

## 20. Trade and other receivables continued

| Group – 29 January 2023 | Trade receivables – days past due Not past due £m | <30 £m | 31-60 £m | 61-90 £m | >90 £m | Total £m |
|---|---|---|---|---|---|---|
| Expected credit loss rate | **0.1%** | **0.1%** | **0.6%** | **42.4%** | **6.0%** | |
| Expected total gross carrying amount at default | **48.9** | **4.2** | **1.5** | **–** | **1.4** | |
| **Lifetime ECL** | **0.1** | **–** | **–** | **–** | **0.1** | **0.2** |

| Group – 30 January 2022 | Trade receivables – days past due Not past due £m | <30 £m | 31-60 £m | 61-90 £m | >90 £m | Total £m |
|---|---|---|---|---|---|---|
| Expected credit loss rate | 0.1% | 0.4% | 1.8% | 7.4% | 50.8% | |
| Expected total gross carrying amount at default | 37.6 | 3.1 | 0.8 | 0.1 | 0.1 | |
| Lifetime ECL | – | – | – | – | 0.1 | 0.1 |

| Company – 29 January 2023 | Trade receivables – days past due Not past due £m | <30 £m | 31-60 £m | 61-90 £m | >90 £m | Total £m |
|---|---|---|---|---|---|---|
| Expected credit loss rate | **0.1%** | **1.4%** | **19.9%** | **39.2%** | **50.3%** | |
| Expected total gross carrying amount at default | **39.0** | **–** | **–** | **–** | **0.1** | |
| **Lifetime ECL** | **–** | **–** | **–** | **–** | **0.1** | **0.1** |

| Company – 30 January 2022 | Trade receivables – days past due Not past due £m | <30 £m | 31-60 £m | 61-90 £m | >90 £m | Total £m |
|---|---|---|---|---|---|---|
| Expected credit loss rate | 0.1% | 1.7% | 25.9% | 41.2% | 52.0% | |
| Expected total gross carrying amount at default | 34.5 | 0.1 | – | – | 0.1 | |
| Lifetime ECL | – | – | – | – | 0.1 | 0.1 |

The carrying amount of the Group and Company's external trade and other receivables are denominated in the following currencies:

| | Group 2023 £m | Group 2022 £m | Company 2023 £m | Company 2022 £m |
|---|---|---|---|---|
| UK sterling | **59.5** | 43.8 | **44.3** | 36.9 |
| Euro | **0.5** | 0.4 | **0.4** | 0.3 |
| US dollar | **0.4** | 0.1 | **–** | – |
| | **60.4** | 44.3 | **44.7** | 37.2 |

## 21. Loans and other borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | **2023 £m** | 2022 £m | **2023 £m** | 2022 £m |
| **Current** | | | | |
| Bank borrowings | **0.7** | 0.3 | **–** | – |
| Lease liabilities | **1.5** | 1.3 | **2.9** | 2.6 |
| **Non-current** | | | | |
| Lease liabilities | **3.6** | 2.8 | **18.4** | 19.3 |
| Total borrowings | **5.8** | 4.4 | **21.3** | 21.9 |

All of the Group's borrowings are denominated in UK sterling.

As disclosed in Note 15, the Group made an investment in Boost in the year ended 29 January 2023. The bank borrowing at the year end represents the overdraft of Boost at the year end date.

As disclosed in Note 15, the Group made an investment in MOMA in the year ending 30 January 2022. MOMA had two CBIL loans totalling £0.3m, as noted in the table above. This was a sterling debt facility expiring in June 2026. The £0.3m was fully repaid in the year ended 29 January 2023.

As at 30 January 2022, the Group had access to £30m of revolving credit facilities over periods of three to five years with Royal Bank of Scotland plc and HSBC Bank plc. In the year ending 29 January 2023 these facilities were reduced to £20m held with Royal Bank Scotland plc which is due to expire in February 2026.

Arrangement fees associated with loan facilities are included in the finance costs line in the income statement.

During the year to 26 January 2014, certain property assets were transferred into A.G. BARR Scottish Limited Partnership and are being leased back to the Company under a 21-year lease agreement. Further details are included within Note 27.

The maturity analysis of the lease liabilities are shown in the table below:

| | Group Lease liabilities | | Company Lease liabilities | |
|---|---|---|---|---|
| | **2023 £m** | 2022 £m | **2023 £m** | 2022 £m |
| Less than one year | **1.5** | 1.3 | **2.9** | 2.6 |
| One to two years | **1.4** | 1.0 | **2.8** | 2.4 |
| Two to three years | **1.1** | 0.8 | **2.6** | 2.4 |
| Three to four years | **0.8** | 0.6 | **2.3** | 2.0 |
| Four to five years | **0.3** | 0.4 | **1.8** | 2.0 |
| Later than five years | **–** | – | **14.4** | 16.1 |
| | **5.1** | 4.1 | **26.8** | 27.5 |
| Less: Unearned interest | **–** | – | **(5.5)** | (5.6) |
| | **5.1** | 4.1 | **21.3** | 21.9 |

# **Notes to the Accounts** continued

## **21. Loans and other borrowings** continued

The movements in the Group borrowings are analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2023 £m** | 2022 £m | **2023 £m** | 2022 £m |
| Opening borrowings balance | **4.4** | 5.4 | **21.9** | 23.5 |
| Net lease movements | **1.0** | (1.3) | **(0.6)** | 1.3 |
| Bank overdraft utilised | **0.7** | – | **–** | – |
| Borrowings acquired/drawn-down | **–** | 0.3 | **–** | – |
| Repayments of borrowings | **(0.3)** | – | **–** | (2.9) |
| Closing borrowings balance | **5.8** | 4.4 | **21.3** | 21.9 |

Reconciliation to net funds:

| | **2023 £m** | 2022 £m | **2023 £m** | 2022 £m |
|---|---|---|---|---|
| Closing borrowings balance | **(5.8)** | (4.4) | **(21.3)** | (21.9) |
| Short-term investments (Note 17) | **40.0** | – | **40.0** | – |
| Cash and cash equivalents (Note 18) | **13.6** | 68.7 | **11.5** | 59.1 |
| Net funds | **47.8** | 64.3 | **30.2** | 37.2 |

The facilities at 29 January 2023 were as follows:

| | **Total facility £m** | **Drawn £m** | **Undrawn £m** |
|---|---|---|---|
| Revolving credit facility – five years, expires February 2026 | **20.0** | **–** | **20.0** |
| Overdraft | **1.0** | **0.7** | **0.3** |
| | **21.0** | **0.7** | **20.3** |

The facilities as at 30 January 2022 were as follows:

| | Total facility £m | Drawn £m | Undrawn £m |
|---|---|---|---|
| Revolving credit facility – three years, expires February 2022 | 10.0 | – | 10.0 |
| Revolving credit facility – five years, expires February 2025 | 20.0 | – | 20.0 |
| Overdraft | 5.1 | – | 5.1 |
| CBILS loan facility – six years, expires June 2026 | 0.2 | 0.2 | – |
| CBILS revolving credit facility – three years, expires May 2024 | 0.1 | 0.1 | – |
| | 35.4 | 0.3 | 35.1 |

The table below details changes in the Group and Company's liabilities arising from financing activities, including both cash and non-cash changes.

| Group | At 30 January 2022 £m | Interest charged £m | New leases £m | Financing cash flows £m | At 29 January 2023 £m |
|---|---|---|---|---|---|
| Borrowings | **0.3** | **–** | **–** | **0.4** | **0.7** |
| Interest paid | **–** | **0.2** | **–** | **(0.2)** | **–** |
| Lease liabilities (Note 13) | **4.1** | **–** | **2.7** | **(1.7)** | **5.1** |
| **Total liabilities from financing activities** | **4.4** | **0.2** | **2.7** | **(1.5)** | **5.8** |

| Company | £m | £m | £m | £m | £m |
|---|---|---|---|---|---|
| Lease liabilities (Note 13) | **21.9** | **–** | **0.9** | **(1.5)** | **21.3** |
| **Total liabilities from financing activities** | **21.9** | **–** | **0.9** | **(1.5)** | **21.3** |

## 22. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | **2023 £m** | 2022 £m | **2023 £m** | 2022 £m |
| **Current** | | | | |
| Trade payables | **37.2** | 15.8 | **27.3** | 13.7 |
| Other taxes and social security costs | **3.6** | 1.1 | **3.0** | 1.1 |
| Accruals | **31.5** | 37.1 | **24.5** | 32.6 |
| Amounts due to subsidiary companies | **–** | – | **5.7** | 12.2 |
| | **72.3** | 54.0 | **60.5** | 59.6 |

Trade payables have increased £21.4m as a result of the incorporation of Boost and the phasing of the January 2023 supplier payment runs.

Trade payables and amounts due to subsidiaries are repayable within six months.

# **Notes to the Accounts** continued

## 23. Provisions

| Group | Business reorganisation £m | Customer related provisions £m | Repairs/ Dilapidations £m | Supplier related commitments £m | Total £m |
|---|---|---|---|---|---|
| Opening provision at 24 January 2021 | 1.1 | 0.3 | 0.5 | – | 1.9 |
| Provision created during the year | – | 0.1 | – | 0.5 | 0.6 |
| Provision utilised during the year | (0.5) | – | – | – | (0.5) |
| Closing provision at 30 January 2022 | 0.6 | 0.4 | 0.5 | 0.5 | 2.0 |
| Provision created during the year | **0.3** | **0.1** | **0.2** | **–** | **0.6** |
| Provision utilised during the year | **(0.6)** | **(0.4)** | **(0.3)** | **(0.5)** | **(1.8)** |
| **Closing provision at 29 January 2023** | **0.3** | **0.1** | **0.4** | **–** | **0.8** |

| Company | Business reorganisation £m | Customer related provisions £m | Repairs/ Dilapidations £m | Supplier related commitments £m | Total £m |
|---|---|---|---|---|---|
| Opening provision at 24 January 2021 | 1.1 | 0.3 | 0.3 | – | 1.7 |
| Provision created during the year | – | 0.1 | – | 0.5 | 0.6 |
| Provision utilised during the year | (0.5) | – | – | – | (0.5) |
| Closing provision at 30 January 2022 | 0.6 | 0.4 | 0.3 | 0.5 | 1.8 |
| Provision created during the year | **0.3** | **0.1** | **–** | **–** | **0.4** |
| Provision utilised during the year | **(0.6)** | **(0.4)** | **(0.1)** | **(0.5)** | **(1.6)** |
| **Closing provision at 29 January 2023** | **0.3** | **0.1** | **0.2** | **–** | **0.6** |

The provisions above primarily relate to redundancy costs, customer related provisions, and for any known obligations for substantial repairs and supplier related commitments. The majority of the provisions are expected to be utilised within 12 months.

## 24. Other non-current liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | **2023 £m** | 2022 £m | **2023 £m** | 2022 £m |
| Contingent consideration | **0.8** | – | **0.8** | – |
| Put liability | **–** | 5.0 | **–** | – |
| | **0.8** | 5.0 | **0.8** | – |

On 5 December 2022, the Group acquired 100% of the shares and voting interests in Boost Drinks Holdings Limited ("Boost") The acquisition consideration comprised both an initial payment of £19.9m and a potential future consideration of up to £12.0m payable depending on the successful delivery of future performance during an earn-out period commencing 1 December 2022 and ending 20 November 2024.

The put liability related to the initial purchase of a 62% stake in MOMA Foods Ltd under which the vendor had a right but not an obligation to sell the remaining 38% of the Company to the Group in June 2025.

The put liability was derived from an internal valuation, using forecast revenue over the exercise period, discounted at a post-tax rate of 18% and assumed the option was exercised in full in the third year following the date of acquisition. As the Group now owns 100% of MOMA the put liability has been released in the year to 29 January 2023.

Details of the acquisition of Boost and MOMA are provided in Note 15.

## 25. Deferred tax assets and liabilities

| Group | Share-based payments £m | Foreign exchange contract hedge £m | Total deferred tax asset £m | Retirement benefit obligations £m | Share-based payments £m | Accelerated tax depreciation £m | Total deferred tax liability £m | Net deferred tax liability £m |
|---|---|---|---|---|---|---|---|---|
| At 24 January 2021 | – | – | – | (2.4) | (0.4) | (11.8) | (14.6) | (14.6) |
| (Credit)/charge to the income statement (Note 8) | – | – | – | (2.8) | 0.3 | (5.1) | (7.6) | (7.6) |
| Charge to other comprehensive income | – | – | – | 0.3 | – | – | 0.3 | 0.3 |
| Charge to other reserves | – | – | – | – | 0.4 | – | 0.4 | 0.4 |
| At 30 January 2022 | – | – | – | (4.9) | 0.3 | (16.9) | (21.5) | (21.5) |
| (Credit)/charge to the income statement (Note 8) | **–** | **–** | **–** | **(1.2)** | **(0.3)** | **(1.5)** | **(3.0)** | **(3.0)** |
| Charge to other comprehensive income | **–** | **–** | **–** | **0.6** | **–** | **–** | **0.6** | **0.6** |
| Acquired on acquisition | **–** | **–** | **–** | **–** | **–** | **(4.3)** | **(4.3)** | **(4.3)** |
| Charge to equity | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **At 29 January 2023** | **–** | **–** | **–** | **(5.5)** | **–** | **(22.7)** | **(28.2)** | **(28.2)** |

| Company | Share-based payments £m | Foreign exchange contract hedge £m | Total deferred tax asset £m | Retirement benefit obligations £m | Share-based payments £m | Accelerated tax depreciation £m | Total deferred tax liability £m | Net deferred tax liability £m |
|---|---|---|---|---|---|---|---|---|
| At 24 January 2021 | – | – | – | (2.4) | (0.4) | (2.4) | (5.2) | (5.2) |
| (Credit)/charge to the income statement | – | – | – | (2.8) | 0.3 | (2.0) | (4.5) | (4.5) |
| Charge to other comprehensive income | – | – | – | 0.3 | 0.3 | – | 0.6 | 0.6 |
| At 30 January 2022 | – | – | – | (4.9) | 0.2 | (4.4) | (9.1) | (9.1) |
| (Credit)/charge to the income statement | **–** | **–** | **–** | **(1.2)** | **(0.3)** | **(1.8)** | **(3.3)** | **(3.3)** |
| Charge to other comprehensive income | **–** | **–** | **–** | **0.6** | **–** | **–** | **0.6** | **0.6** |
| Charge to equity | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **At 29 January 2023** | **–** | **–** | **–** | **(5.5)** | **(0.1)** | **(6.2)** | **(11.8)** | **(11.8)** |

No deferred tax asset is recognised in the statement of financial position for unused capital losses within the Company of £4.0m (2022: £4.0m).

# Notes to the Accounts continued

## 26. Financial risk management

### Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Board has delegated the management the Group's overall financial risk programme to the Treasury and Commodity Committee; this risk programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Financial risk management is carried out in accordance with policies approved by the Board of Directors. Management identifies, evaluates and manages financial risks in close cooperation with the Group's business units. The Board provides guidance on overall market risk management, including use of derivative financial instruments and investment of excess liquidity.

In addition, the Treasury and Commodity Committee deals with a range of other treasury matters, details of which are provided in the Corporate Governance Report.

### Market risk

#### Foreign exchange risk

The Group operates internationally. The Group primarily buys and sells in Sterling but does make purchases and sales denominated in US dollars and euros. Due to the hedging arrangements that have been in place for the year ended 29 January 2023, if Sterling had weakened/strengthened by 10% against the US dollar or euro, with all other variables held constant, there would not have been a material effect on post-tax profit (year ended 30 January 2022: no material impact on post-tax profit). See also Note 14 for information regarding hedging.

The Group periodically enters into option contracts to purchase foreign currencies for known purchases where the value and volume of trading purchases is known. The Treasury and Commodity Committee assesses whether hedge accounting should be applied for each FX option contract.

### Price risk

The Group is not exposed to equity securities price risk because no such investments are held by the Group other than within pension scheme assets.

The Group purchases a wide range of commodities in the ordinary course of business. Exposure to changes in the market price of certain of these commodities, including sugar, plastic, aluminium and mango, is managed through the use of forward physical supply contracts, primarily to convert floating or indexed prices to fixed prices. The use of such contracts to hedge commodity exposures is governed by the Group's risk policies and is continually monitored by the Treasury and Commodity Committee. Commodity derivatives also provide a way to meet customers' pricing requirements whilst achieving a price structure consistent with the Group's overall pricing strategy.

All of the Group's commodity derivatives are treated as "own use" contracts, which are outside the scope of IFRS 9, since they are both entered into, and continue to be held, for the purposes of the Group's ordinary operations, and are not net settled (the Group takes physical delivery of the commodity concerned). "Own use" contracts do not require accounting entries until the commodity purchase actually crystallises.

The majority of the Group's forward physical contracts and commodity derivatives have original maturities of less than one year.

As all of the commodity contracts qualify for the "own use" treatment, no sensitivity analysis has been carried out.

**Cash flow and fair value interest rate risk**
The Group's interest rate risk arises from long-term borrowings and short-term investments. Borrowings and investments are obtained at fixed rates reducing the Group's exposure to cash flow interest rate risk.

For the year ended 29 January 2023, if interest rates on sterling-denominated borrowings at that date had been 1.0% higher/lower, with all other variables held constant, there would have been an immaterial change in the post-tax profit for the year (year ended 30 January 2022: immaterial impact on post-tax profit).

**Credit risk**
Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to major and direct to store customers, including outstanding receivables and committed transactions.

For banks and financial institutions where the company holds cash and cash equivalents, short-term investments and borrowing, only independently rated parties with a minimum rating of "A" are accepted. If major customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control processes assess the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set by senior management, based on internal or external ratings. The utilisation of credit limits is regularly monitored. Sales to direct to store customers are largely settled in cash in order to manage credit risk from smaller, independent stores.

**Liquidity risk**
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, the Group maintains flexibility in funding by maintaining sufficient cash reserves and the availability of borrowing facilities. See Note 21 for disclosures of committed facilities.

Management monitors rolling forecasts of the Group's liquidity reserve (which comprises undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flows. This is carried out at a Group level and involves projecting forward cash flows and considering the level of liquid assets necessary to meet excesses of expenditure relative to income.

The Group and Company also enters into forward commodity contracts that are not held on the balance sheet. Commitments are shown in the table below, all of which are payable within one year.

| | Total contractual outflow | |
|---|---|---|
| Group and Company | **2023 £m** | 2022 £m |
| Forward commodity contracts | **13.8** | 9.0 |

# **Notes to the Accounts** continued

## 26. Financial risk management continued

The undiscounted contractual cash flows of financial liabilities are presented in the table below:

| Year ended 29 January 2023<br>Group | Within 1 year<br>£m | 1 – 2 years<br>£m | 2 – 3 years<br>£m | 3 – 4 years<br>£m | 4 – 5 years<br>£m | 5 years +<br>£m | Total contractual outflow<br>£m |
|---|---|---|---|---|---|---|---|
| Trade and other payables | **37.2** | – | – | – | – | – | **37.2** |
| Accruals | **31.5** | – | – | – | – | – | **31.5** |
| Contingent consideration | – | **0.8** | – | – | – | – | **0.8** |
| Leases | **1.5** | **1.4** | **1.1** | **0.8** | **0.3** | – | **5.1** |
| Borrowings | **0.7** | – | – | – | – | – | **0.7** |
| Derivatives | **11.5** | **0.4** | – | – | – | – | **11.9** |
| | **82.4** | **2.6** | **1.1** | **0.8** | **0.3** | – | **87.2** |
| Company | | | | | | | |
| Trade and other payables | **27.3** | – | – | – | – | – | **27.3** |
| Amounts due to subsidiary companies | **5.7** | – | – | – | – | – | **5.7** |
| Accruals | **24.5** | – | – | – | – | – | **24.5** |
| Contingent consideration | – | **0.8** | – | – | – | – | **0.8** |
| Leases | **2.9** | **2.8** | **2.6** | **2.3** | **1.8** | **14.4** | **26.8** |
| Derivatives | **11.5** | **0.4** | – | – | – | – | **11.9** |
| | **71.9** | **4.0** | **2.6** | **2.3** | **1.8** | **14.4** | **97.0** |

| Year ended 30 January 2022<br>Group | Within 1 year<br>£m | 1 – 2 years<br>£m | 2 – 3 years<br>£m | 3 – 4 years<br>£m | 4 – 5 years<br>£m | 5 years +<br>£m | Total contractual outflow<br>£m |
|---|---|---|---|---|---|---|---|
| Trade and other payables | 15.8 | – | – | – | – | – | 15.8 |
| Accruals | 37.1 | – | – | – | – | – | 37.1 |
| Put liability | – | – | 5.0 | – | – | – | – |
| Leases | 1.3 | 1.0 | 0.8 | 0.6 | 0.4 | – | 4.1 |
| Derivatives | 8.5 | – | – | – | – | – | 8.5 |
| | 62.7 | 1.0 | 5.8 | 0.6 | 0.4 | – | 65.5 |
| Company | | | | | | | |
| Trade and other payables | 13.7 | – | – | – | – | – | 13.7 |
| Amounts due to subsidiary companies | 12.2 | – | – | – | – | – | 12.2 |
| Accruals | 32.6 | – | – | – | – | – | 32.6 |
| Leases | 2.6 | 2.4 | 2.4 | 2.0 | 2.0 | 16.1 | 27.5 |
| Derivatives | 8.5 | – | – | – | – | – | 8.5 |
| | 69.6 | 2.4 | 2.4 | 2.0 | 2.0 | 16.1 | 94.5 |

**Capital risk management**

The Group defines "capital" as being net debt plus equity including lease liabilities.

The Group's objective when managing capital is to maintain an appropriate capital structure to balance the needs of the Group, whilst operating within its bank covenants.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group has a number of options available to it, including modifying dividend payments to shareholders, returning capital to shareholders or issuing new shares. In this way, the Group balances returns to shareholders between long-term growth and current returns whilst maintaining capital discipline in relation to investing activities and taking any necessary action on costs to respond to the current environment.

The Group monitors existing equity in issuance on the basis of the net debt/EBITDA ratio. Net debt is calculated as being the net of cash and cash equivalents, interest-bearing loans and borrowings. The net debt/EBITDA ratio enables the Group to plan its capital requirements in the medium term. The Group uses this measure to provide useful information to financial institutions and investors. The Group believes that the current net debt/EBITDA ratio together with existing shares in issuance provides a secure capital structure with a strong level of financial flexibility to enable the Group to take advantage of opportunities that may arise.

For the year ended 29 January 2023, there was a net cash surplus of £52.6m (year ended 30 January 2022: net cash surplus of £64.3m) with cash and cash equivalent balances of £13.6m, short-term investments of £40.0m and bank borrowings of £1.0m (year ended 30 January 2022: cash and cash equivalents balance of £68.7m and bank borrowings of £0.3m).

The Group monitors capital efficiency on the basis of the return on capital employed ratio (ROCE). In the financial year ended 29 January 2023, ROCE remained strong at 18.0% (2022: 19.9%).

## 27. Retirement benefit obligations

During the year the Company operated two pension schemes, the A.G. BARR p.l.c. (2005) Defined Contribution Scheme (the "2005 Scheme") and the A.G. BARR p.l.c. (2008) Pension and Life Assurance Scheme (the "2008 Scheme"). The 2008 Scheme comprises a funded defined benefit section based on final salary and a defined contribution section. The defined benefit section was closed to future accrual from 1 May 2016. The defined contribution section of the 2008 Scheme and the 2005 Scheme were closed to new entrants and new contributions from 30 June 2021 and all defined contribution assets were transferred to the A.G. Barr Retirement Plan, an outsourced master trust pension arrangement, in September 2021. The 2005 Scheme was terminated on 31 May 2022. Under the defined benefit section of the 2008 Scheme, employees are entitled to retirement benefits based on final pensionable pay. No other post-retirement benefits are provided.

**Defined benefit scheme: Actuarial valuation**

The assets of the defined benefit section of the 2008 Scheme are held separately from those of the Company and are invested in managed funds. A full valuation of the defined benefit section of the 2008 Scheme was conducted as at 5 April 2020 using the attained age method and a deficit of £7.7m was determined at that date.

The defined benefit section of the 2008 Scheme exposes the Group to actuarial risks such as longevity risk, interest rate risk and market investment risk.

Responsibility for governance of the plans, including investment decisions and contribution schedules, lies jointly with the Company and the board of pension trustees. The board of trustees is composed of representatives from the Company scheme members and an independent trustee in accordance with the 2008 Scheme's rules.

# **Notes to the Accounts** continued

## 27. Retirement benefit obligations continued

**Defined benefit scheme: IAS 19 information**

The full actuarial valuation carried out at 5 April 2020 was updated to 29 January 2023 by a qualified independent actuary.

The valuation used for the defined benefit schemes has been based on market conditions as at the Company year end.

The amounts recognised in the statement of financial position are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2023 £m** | 2022 £m | **2023 £m** | 2022 £m |
| Present value of funded obligations | **(76.9)** | (114.9) | **(76.9)** | (114.9) |
| Fair value of scheme assets | **79.3** | 113.9 | **79.3** | 113.9 |
| Deficit recognised under IAS 19 | **2.4** | (1.0) | **2.4** | (1.0) |
| Company contribution made to pension scheme in the year to 26 January 2014 | **–** | – | **15.3** | 16.1 |
| **Surplus/(deficit) recognised in the statement of financial position** | **2.4** | (1.0) | **17.7** | 15.1 |

The movement in the defined benefit obligation over the year is as follows:

| Group and Company | **Fair value of plan assets £m** | **Present value of obligation £m** | **Total £m** |
|---|---|---|---|
| At 30 January 2022 | **113.9** | **(114.9)** | **(1.0)** |
| Current and past service cost | **–** | **–** | **–** |
| Interest income/(expense) | **2.4** | **(2.4)** | **–** |
| Total cost recognised in income statement | **2.4** | **(2.4)** | **–** |
| Remeasurements | | | |
| – changes in demographic assumptions | **–** | **4.4** | **4.4** |
| – changes in financial assumptions | **–** | **34.5** | **34.5** |
| – experience | **–** | **(3.3)** | **(3.3)** |
| – actuarial return on assets excluding amounts recognised in net interest | **(37.1)** | **–** | **(37.1)** |
| Total remeasurements recognised in other comprehensive income | **(37.1)** | **35.6** | **(1.5)** |
| Cash flows | | | |
| Employer contributions | **4.9** | **–** | **4.9** |
| Benefits paid | **(4.8)** | **4.8** | **–** |
| Total cash outflow | **0.1** | **4.8** | **4.9** |
| **At 29 January 2023** | **79.3** | **(76.9)** | **2.4** |

This table excludes the Company contribution made to the pension scheme through the asset-backed funding arrangement as described below and reconciled in the table above.

On 1 May 2016, the defined benefit section of the 2008 Scheme was closed to future accrual following a negotiated agreement between the Company and the board of trustees.

The Company made a £1.0m contribution to the defined benefit section of the 2008 Scheme each year in May 2016 through May 2022. A further contribution of £1.0m was due to be paid in May 2023 but was paid in the current financial year to support the 2008 Scheme's liquidity during a period of stock market turbulence.

The movement in the defined benefit obligation in the year to 30 January 2022 was as follows:

| Group and Company | Fair value of plan assets £m | Present value of obligation £m | Total £m |
|---|---|---|---|
| At 24 January 2021 | 116.0 | (123.9) | (7.9) |
| Current service cost and past service cost | – | (0.1) | (0.1) |
| Interest income/(expense) | 1.6 | (1.7) | (0.1) |
| Total cost recognised in income statement | 1.6 | (1.8) | (0.2) |
| Remeasurements | | | |
| – changes in demographic assumptions | – | (0.9) | (0.9) |
| – changes in financial assumptions | – | 9.5 | 9.5 |
| – experience | – | (2.2) | (2.2) |
| – actuarial return on assets excluding amounts recognised in net interest | (1.7) | – | (1.7) |
| Total remeasurements recognised in other comprehensive income | (1.7) | 6.4 | 4.7 |
| Cash flows | | | |
| Employer contributions | 2.4 | – | 2.4 |
| Benefits paid | (4.4) | 4.4 | – |
| Total cash outflow | (2.0) | 4.4 | 2.4 |
| At 30 January 2022 | 113.9 | (114.9) | (1.0) |

This table excludes the Company contribution made to the 2008 Scheme through the asset-backed funding arrangement as described below and reconciled in the table above.

**Asset-backed funding arrangement**

During the year to 26 January 2014, the Company established the A.G. BARR Scottish Limited Partnership (the "Partnership") and through the Partnership has entered into a long-term pension funding arrangement with the 2008 Scheme.

Under this arrangement certain property assets were transferred into the Partnership and are being leased back to A.G. BARR p.l.c. under a 21-year lease agreement, generating an income stream of £1.1m per annum for the 2008 Scheme, increasing annually in line with inflation.

The Partnership is controlled by A.G. BARR p.l.c. and its results are consolidated by the Group. The value of the properties transferred into the Partnership remains included on the Group's and Company's balance sheet at carrying values at the date of transfer with the Group and Company retaining full operational control over these properties.

# Notes to the Accounts continued

## 27. Retirement benefit obligations continued

At the end of the term of the relevant lease, or earlier if the 2008 Scheme becomes fully funded to the extent that the members' benefits can be secured with an insurance company, the Company has the option to repurchase the properties in the Partnership for an agreed fixed price.

A "structured entity" is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate only to administrative tasks and the relevant activities are directed by means of contractual arrangements. As outlined above, during a prior year, certain freehold properties were transferred to a limited Partnership (a structured entity) established by the Group, the main purpose of which is to lease these properties to a Group company and, as a result, to provide the Group's 2008 scheme with a distribution of profits in the Partnership.

The distribution is subject to discretion exercisable by the Group in certain circumstances; however, given that the Group has the ability to control the limited Partnership by making an additional contribution into the 2008 Scheme, it is the view of the directors that the Group controls the limited Partnership and therefore it is treated as a consolidated entity.

The carrying value of the properties sold to the Partnership and leased back to the Company remain included on the Group's and Company's balance sheet and continue to be depreciated in line with the Group's and Company's accounting policies with the Group and Company retaining full operational control over these properties.

The Group has taken advantage of the exemption conferred by Regulation 7 of the Partnerships (Accounts) Regulations 2008 and has, therefore, not appended the accounts of this qualifying partnership to these financial statements. Separate accounts for the Partnership are not required to be, and have not been, filed at UK Companies House.

As part of the funding arrangement, the Company made a one-off payment to the 2008 Scheme of £20.4m to allow it to invest in the Partnership and in prior years this has been treated as a reduction in the carrying value of the retirement benefit obligation.

As the Partnership results are consolidated within the Group results, no balances are recognised in the consolidated statement of financial position.

### Financial assumptions

| | **2023** | 2022 |
|---|---|---|
| Discount rate | **4.4%** | 2.2% |
| Inflation assumption | **3.2%** | 3.6% |

### Mortality assumptions

| | **2023** | 2022 |
|---|---|---|
| Average future life expectancy (in years) for a male pensioner aged 65 | **22** | 22 |
| Average future life expectancy (in years) for a female pensioner aged 65 | **23** | 24 |
| Average future life expectancy (in years) at age 65 for a male non-pensioner aged 45 | **23** | 23 |
| Average future life expectancy (in years) at age 65 for a female non-pensioner aged 45 | **25** | 26 |

The mortality tables adopted in finalising the fair value of the liabilities are the 2019 VITA tables based on the member's year of birth.

This assumes that the expected age at death for males is 87 to 88 and for females is 89 to 91, depending on their age at 29 January 2023.

The fair value of scheme assets at the year end dates is analysed as follows:

| | **2023** Quoted* £m | **2023** Unquoted £m | 2022 Quoted* £m | 2022 Unquoted £m |
|---|---|---|---|---|
| Equities | **2.3** | **–** | 6.3 | – |
| Bonds | **19.2** | **–** | 33.0 | – |
| Debt | **15.2** | **–** | 21.8 | – |
| Cash | **–** | **7.1** | – | 6.4 |
| Buy-in policy | **–** | **35.5** | – | 46.4 |
| Total market value of scheme assets | **36.7** | **42.6** | 61.1 | 52.8 |

* Quoted prices for identical assets or liabilities in active markets.

**Sensitivity review**

The sensitivity of the overall pension liability to changes in the principal assumptions is:

| **Year ended 29 January 2023** | **Change in assumption** | **Impact on overall liabilities** |
|---|---|---|
| Discount rate | **Increase/decrease by 2%** | **Decreases/increases liabilities by £24.2m** |
| Rate of inflation | **Increase/decrease by 1%** | **Increases/decreases liabilities by £4.0m** |
| Life expectancy | **Increase/decrease by one year** | **Increases/decreases liabilities by £3.1m** |

| Year ended 30 January 2022 | Change in assumption | Impact on overall liabilities |
|---|---|---|
| Discount rate | Increase/decrease by 1% | Decreases/increases liabilities by £20.4m |
| Rate of inflation | Increase/decrease by 1% | Increases/decreases liabilities by £6.8m |
| Life expectancy | Increase/decrease by one year | Increases/decreases liabilities by £4.6m |

**Methods and assumptions used in preparing the sensitivity analyses**

The sensitivities disclosed were calculated using approximate methods taking into account the duration of the 2008 Scheme's liabilities. They have been calculated consistently with last period's disclosures, however these change over time with financial conditions and assumptions.

# **Notes to the Accounts** continued

## 27. Retirement benefit obligations continued

**Risks to which the 2008 Scheme exposes the Company**

The nature of the 2008 Scheme exposes the Company to the risk of paying unanticipated additional contributions to the 2008 Scheme in times of adverse experience. The most financially significant risks are likely to be:

– Asset volatility

The 2008 Scheme's liabilities are calculated using a discount rate set with reference to corporate bond yields in line with the requirements of IAS 19R. If the 2008 Scheme assets underperform this yield, this will create a deficit. The plan holds investments in a diversified portfolio, primarily equity and bonds, which are expected to outperform corporate bonds in the long term but provide volatility and risk in the short term.

The board of pension trustees have made a number of steps to control the level of investment risk within the 2008 Scheme. The Trustee and the Company agreed to purchase an annuity policy with Canada Life in April 2016 to cover all future pension payments to certain members of the 2008 Scheme. This policy was purchased at a cost of £34.7m and secures the total amount of future pension payments for 100 of the 2008 Scheme's pensioner members. A second annuity contract was purchased with Canada Life in September 2019 at a cost of £22.7m and secures the total amount of future pension payments for 82 of the 2008 Scheme's pensioner members. The board of pension trustees will continue to review the risk exposures in light of the longer-term objectives of the 2008 Scheme.

– Changes in bond yields

A decrease in corporate bond yields will increase the 2008 Scheme's liabilities. In the event of a reduction in the corporate bond yields, there will be an increase in the value of the 2008 Scheme's bond holdings.

– Inflation risk

The Group pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. The majority of the 2008 Scheme's assets are either unaffected by inflation (fixed interest bonds) or loosely correlated with inflation (equities), meaning that an increase in inflation will also increase the deficit.

– Life expectancy

The 2008 Scheme's obligation is to provide benefits for the life of the members. An increase in life expectancy will result in an increase in the 2008 Scheme's liabilities.

**Policy for recognising gains and losses**

The Company recognises actuarial gains and losses immediately, through the remeasurement of the net defined benefit liability.

**Asset-liability matching strategies used by the 2008 Scheme or the Company**

Excluding insurance policies held within the 2008 Scheme the Trustee's target allocation to growth assets and return seeking income focused assets is c.30%, with the remaining c.70% in liability matching bonds including corporate bonds, with the aim of striking a balance between:

- maximising the returns on the 2008 Scheme's assets; and
- minimising the risks associated with the lower than expected returns on the 2008 Scheme's assets.

The Trustee has entered into a Liability Driven Investment (LDI) mandate with Legal & General Investment Management. This has resulted in interest rate and inflation hedging levels of over 50% of liabilities (excluding insurance policies and the asset-backed funding arrangement). The LDI funds are invested in a mix of levered gilts, levered index-linked gilts and cash, with the aim of matching, as closely as possible, the 2008 Scheme's liability cash flows.

**Description of funding arrangements and funding policy that affect future contributions**

The Schedule of Contributions dated March 2018 sets out the current contributions payable by the Company to the 2008 Scheme to eliminate the Scheme deficit. This is in addition to the rental income stream from the asset-backed funding arrangement, that is a commitment which will offset the requirement for future deficit contributions.

**Expected contributions over the next accounting period**
The £1.0m payment which A.G. BARR p.l.c. was expected to contribute to the 2008 Scheme for the year to 28 January 2024 in respect of commitments in relation to the Schedule of Contributions was paid in October 2022, and the approximate £1.5m due for the year to 28 January 2024 from the asset-backed funding arrangement in which the 2008 Scheme holds an interest were also paid in advance in the year to 29 January 2023.

The weighted average duration of the defined benefit obligation is 14 years.

The expected maturity analysis of the undiscounted defined benefit pension benefit, estimated on the 2008 Scheme's funding is as follows:

| | Less than one year | One to two years | Two to five years | Greater than five years |
|---|---|---|---|---|
| Proportion of total pension benefits to be paid as at 5 April 2022 | **2%** | **2%** | **7%** | **89%** |
| Proportion of total pension benefits to be paid as at 5 April 2021 | 2% | 2% | 7% | 89% |

Note the above disclosure is given as at the date of the last signed financial statements for the 2008 Scheme, and for the comparative year.

**Defined contribution scheme**
The pension costs for the defined contribution schemes are as follows:

| | **2023 £m** | 2022 £m |
|---|---|---|
| Defined contribution costs | **4.0** | 3.8 |

## 28. Share capital

| | **2023** | | 2022 | |
|---|---|---|---|---|
| | **Shares** | **£m** | Shares | £m |
| Authorised, issued and fully paid | **112,028,871** | **4.7** | 112,028,871 | 4.7 |

The Company has one class of ordinary shares which carry no right to fixed income. The shares have a nominal value of 4 1/6 pence.

During the year to 29 January 2023, the Company's employee benefit trusts purchased 141,890 shares (2022: 42,778) shares. The total amount paid to acquire the shares has been deducted from shareholders' equity and is included within retained earnings. At 29 January 2023,the shares held by the Company's employee benefit trusts represented 887,553 (2022: 782,873) shares at a purchased cost of £5.2m (2022: £4.7m).

# **Notes to the Accounts** continued

## 28. Share capital continued

### Share repurchase programme

During the year ended 25 January 2020, the Group completed a share repurchase programme, purchasing 1,915,772 shares at a total cost of £30.0m. The permanent capital has been replaced through the creation of a Capital Redemption Reserve, which is included in "Other reserves" within equity in the table below.

The cash flow hedge reserve is also included in "Other reserves" in equity and records the effective portion of movements in the fair value of forward foreign exchange contracts that have been designated as part of a cash flow hedge relationship.

| Other reserves | Cash flow hedge reserve £m | Capital redemption reserve £m | Non-controlling interest £m | Total £m |
|---|---|---|---|---|
| At 30 January 2022 | **(0.3)** | **0.2** | **(5.0)** | **(5.1)** |
| Derecognition of non-controlling interest on acquisition of MOMA | **–** | **–** | **5.0** | **5.0** |
| Movement on cash flow hedge reserve | **0.2** | **–** | **–** | **0.2** |
| **At 29 January 2023** | **(0.1)** | **0.2** | **–** | **0.1** |

The share premium reserve contains the premium arising on the issue of equity shares, net of issue expenses.

## 29. Share-based payments

As disclosed in the Directors' Remuneration Report, the Group runs a number of share award plans and share option plans:

- Savings Related Share Option Scheme which is open to all employees
- LTIP and ESOS options which are granted to directors
- AESOP awards that are available to all employees

Share-based payment costs and related deferred and current tax charges are recognised within the share option reserve.

### Savings Related Share Option Scheme (SAYE)

All SAYEs outstanding at 29 January 2023 and 30 January 2022 have no performance criteria attached other than the requirement for the employee to remain in the employment of the Company and to continue contributing to the plan. Options granted under the SAYE must be exercised within six months of the relevant award vesting date.

The SAYE is open to all qualifying employees in employment at the date of inception of the scheme. Options are normally exercisable after three years from the date of grant. The price at which options are offered is not less than 80% of the average of the middle-market price of the five dealing days immediately preceding the date of invitation.

The movements in the number of share options outstanding and their related weighted average exercise prices determined using the Black-Scholes valuation model are as follows:

| | **2023** | | 2022 | |
|---|---|---|---|---|
| | **Options** | **Average exercise price in pence per share** | Options | Average exercise price in pence per share |
| At start of the year | **679,758** | **486p** | 896,005 | 535p |
| Granted in the year | **160,830** | **506p** | 377,647 | 459p |
| Forfeited | **(165,721)** | **529p** | (495,553) | 559p |
| Exercised | **(2,317)** | **428p** | (98,341) | 460p |
| At end of the year | **672,550** | **530p** | 679,758 | 486p |

The weighted average fair value of the share awards made during the period was determined using the Black-Scholes valuation model. The significant inputs to the model were as follows:

| Date of grant | SAYE 3 May 2022 |
|---|---|
| Number of share awards granted | 160,830 |
| Share price at date of grant | 562p |
| Contractual life in years | 3 |
| Dividend yield | 2% |
| Expected outcome of meeting performance criteria (at grant date) | 70% |
| Fair value determined at grant date | 145p |

None of the options listed above were exercisable at the respective year end dates. The outstanding options at the year end had exercise prices of £7.45, £4.28, £4.59 and £5.06 (2022: £6.20, £7.45, £4.28 and £4.59).

The weighted average share price on the dates that options were exercised in the year to 30 January 2022 was £4.69.

The weighted average remaining contractual life of the outstanding share options at the year end is two years (2022: two years).

# Notes to the Accounts continued

## 29. Share-based payments continued

### LTIP

During the year, LTIP awards were made to the executive directors as disclosed in the Directors' Remuneration Report.

The weighted average fair value of the share awards made during the period was determined using the Black-Scholes valuation model. The significant inputs to the model were as follows:

| Date of grant | LTIP 8 April 2022 |
|---|---|
| Number of share awards granted | 323,560 |
| Share price at date of grant | 537p |
| Contractual life in years | 3 |
| Dividend yield | 2% |
| Expected outcome of meeting performance criteria (at grant date) | 100% |
| Fair value determined at grant date | 501p |

### AESOP

As described in the Directors' Remuneration Report, there are two elements to the AESOP.

The partnership share element provides that for every two shares (year to 30 January 2022: two shares) that a participant purchases in A.G. BARR p.l.c., up to a maximum contribution of £150 per month, the Company will purchase one matching share. The matching shares purchased are held in trust in the name of the individual. There are various rules as to the period of time that the shares must be held in trust but after five years, the shares can be released tax free to the participant.

The second element of free shares allows participants to receive shares to the value of a common percentage of their earnings, related to the performance of the Group. The maximum value of the annual award is £3,600 and the shares awarded are held in trust for five years.

Under the terms of the AESOP rules, any award of free shares to employees is made by the Trustee of the AESOP subject to the Company's consent.

## 30. Related party-transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation. Details of transactions between the Company and related parties are as follows:

| | Purchase of goods and services | |
|---|---|---|
| | **2023 £m** | 2022 £m |
| Rubicon Drinks Limited | **6.4** | 5.3 |
| FUNKIN Limited | **1.6** | – |

The amounts disclosed in the table below are the amounts owed to and due from subsidiary companies that are trading subsidiaries.

The balances are unsecured and are due on demand. The difference between the total of these balances and the amounts disclosed as amounts due by (Note 20) and to subsidiary companies (Note 22) are balances due by and due to dormant subsidiary companies.

| | Amounts owed by related parties | | Amounts due to related parties | |
|---|---|---|---|---|
| | **2023 £m** | 2022 £m | **2023 £m** | 2022 £m |
| Rubicon Drinks Limited | **–** | – | **4.5** | 13.1 |
| FUNKIN Limited | **–** | 0.2 | **2.2** | – |

The amounts disclosed in the table below are the amounts owed from investments in associates. The balance is an interest-free equity convertible loan note.

| | Amounts due by related parties | |
|---|---|---|
| | **2023 £m** | 2022 £m |
| Loans to associates | | |
| Opening and closing balance | **1.0** | 1.0 |

**Compensation of key management personnel**
The remuneration of the executive directors, non-executive directors and senior executives during the year was as follows:

| | **2023 £m** | 2022 £m |
|---|---|---|
| Salaries and short-term benefits | **4.9** | 4.6 |
| Post-employment benefits | **0.5** | 0.4 |
| | **5.4** | 5.0 |

The Directors' Remuneration Report can be found on pages 92 to 106.

**Retirement benefit plans**
The Group's retirement benefit plans are administered by an independent third-party service provider. During the year, the service provider charged the Group £0.5m (2022: £0.5m) for administration services in respect of the retirement benefit plans. At the year end, £nil (2022: £nil) was outstanding to the service provider on behalf of the retirement benefit plans.

# **Notes to the Accounts** continued

## 31. Subsidiaries

The Group's subsidiaries at 29 January 2023 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

| Name of entity | Place of business/ country of incorporation | Address | Ownership interest held by the Group 2023 % | Ownership interest held by the Group 2022 % | Principal activities |
|---|---|---|---|---|---|
| FUNKIN Limited* | UK | Milton Keynes | **100** | 100 | Distribution and selling of cocktail solutions |
| FUNKIN USA Limited* | USA | Milton Keynes | **100** | 100 | Distribution and selling of cocktail solutions |
| Rubicon Drinks Limited* | UK | Milton Keynes | **100** | 100 | Distribution of fruit based soft-drinks |
| A.G. BARR Capital Partner Limited* | UK | Milton Keynes | **100** | 100 | Investment holding company |
| A.G. BARR General Partner Limited* | UK | Cumbernauld | **100** | 100 | Investment holding company |
| A.G. BARR Pension Trustee Limited | UK | Cumbernauld | **100** | 100 | Investment holding company |
| A.G. BARR Scottish Limited Partnership | UK | Cumbernauld | **100** | 100 | Investment holding company |
| Robert Barr Limited | UK | Cumbernauld | **100** | 100 | Non-trading entity |
| Mandora St Clements Limited | UK | Milton Keynes | **100** | 100 | Non-trading entity |
| Tizer Limited | UK | Milton Keynes | **100** | 100 | Non-trading entity |
| A.G. BARR (Ireland) Limited | Republic of Ireland | Dublin | **100** | 100 | Non-trading entity |
| MOMA Foods Limited* | UK | Milton Keynes | **100** | 61.8 | Distribution and selling of oat drinks and cereals |
| Boost Drinks Holdings Limited* | UK | Milton Keynes | **100** | – | Investment holding company |
| Boost Drinks Limited | UK | Milton Keynes | **100** | – | Distribution and selling of soft drinks |

* Under section 479A of the Companies Act 2006 the Group is claiming exemption from audit for the subsidiary company with an "*" in the table above. The parent undertakings, A.G. BARR p.l.c., registered number SC005653, guarantees all outstanding liabilities to the which the subsidiary company is subject at the end of the financial year (being the year ended 29 January 2023 for each company). The guarantee is enforceable against the parent undertaking by any person to whom the subsidiary company is liable in respect of those liabilities.

The full address for Cumbernauld is: Westfield House, 4 Mollins Road, Cumbernauld, Scotland, G68 9HD.

The full address for Milton Keynes is: Crossley Drive, Magna Park, Milton Keynes, England, MK17 8FL.

The full address for Dublin is: 25-28 North Wall Quay, Dublin 1, Dublin, Ireland.

## 32. Subsequent events

There have been no events that have had a material impact on the Group after the balance sheet date.

# Glossary

Non-GAAP measures are provided because they are tracked by management to assess the Group's operating performance and to inform financial, strategic and operating decisions.

Definition of non-GAAP measures used are provided below:

**Adjusted earnings per share** is a non-GAAP measure calculated by dividing adjusted profit attributable to equity holders by the weighted average number of shares in issue.

**Adjusted EBITDA** is a non-GAAP measure and is defined as adjusted operating profit before depreciation and amortisation.

**Adjusted EBITDA margin** is a non-GAAP measure and is calculated as adjusted EBITDA divided by adjusted revenue.

**Adjusted operating margin** is a non-GAAP measure calculated by dividing adjusted operating profit by adjusted revenue.

**Adjusted operating profit** is a non-GAAP measure calculated as operating profit after adjusting items.

**Adjusted profit before tax** is non-GAAP measure calculated as reported profit before tax after adjusting entries as disclosed in the adjusting entries accounting policy.

**Adjusted revenue** is a non-GAAP measure calculated as revenue after adjusting items.

**Capital expenditure** is a non-GAAP measure and is defined as the purchases of property, plant and equipment, and is disclosed in the property, plant and equipment note.

**EBITDA** is a non-GAAP measure and is defined as operating profit before depreciation and amortisation.

**EBITDA margin** is a non-GAAP measure and is calculated as EBITDA divided by revenue.

**Free cash flow** is a non-GAAP measure and is defined as the net cash flow as per the cash flow statement excluding the movements in borrowings, the net cash flow on the purchase and sale of shares by employee benefit trusts and dividend payments.

**Full-year dividend** is a non-GAAP measure and is defined as the total dividends declared for the financial year excluding any special dividends.

**Gross margin** is a non-GAAP measure calculated by dividing gross profit by revenue.

**Like-for-like revenue growth** is a non-GAAP measured comparing adjusted revenue in the current year to the prior year excluding MOMA and Boost revenues in each year.

**Market capitalisation** is a non-GAAP measure and is defined as the closing share price at the end of a reporting period multiplied by the number of issued and fully paid shares of the Company.

**Net cash at bank** is a non-GAAP measure and is defined as the net of cash and cash equivalents plus short-term investments less loans and other borrowings as shown in the statement of financial position.

# **Glossary** continued

**Net funds/(debt)** is a non-GAAP measure and is defined as cash and cash equivalents plus short-term investments less lease liabilities and overdrafts.

**Operating margin** is a non-GAAP measure calculated by dividing operating profit by revenue.

**Return on capital employed (ROCE)** is a non-GAAP measure and is defined as reported profit before tax as a percentage of invested capital. Invested capital is a non-GAAP measure defined as period end non-current plus current assets less current liabilities excluding all balances relating to any provisions, financial instruments, interest-bearing liabilities and cash or cash equivalents.

**Revenue growth** is a non-GAAP measure calculated as the difference in revenue between two reporting periods divided by the revenue of the earlier reporting period.

# Reconciliation of Non-GAAP measures

## Adjusted Consolidated Income Statements

| | Year ended 29 January 2023 | | | | | | Year ended 30 January 2022 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Reported £m** | **MOMA acquisition impact £m** | **Gain on sale of property £m** | **Boost acquisition fees £m** | **Boost earn-out £m** | **Adjusted £m** | Reported £m | Gain on sale of property £m | Extra week trading £m | Adjusted £m |
| Revenue | **317.6** | **–** | **–** | **–** | **–** | **317.6** | 268.6 | – | (6.8) | 261.8 |
| Cost of sales | **(189.5)** | **–** | **–** | **–** | **–** | **(189.5)** | (150.0) | – | 3.7 | (146.3) |
| Gross profit | **128.1** | **–** | **–** | **–** | **–** | **128.1** | 118.6 | – | (3.1) | 115.5 |
| Other income | **1.3** | **–** | **(1.3)** | **–** | **–** | **–** | 0.7 | (0.7) | – | – |
| Operating expenses | **(84.1)** | **(2.7)** | **–** | **1.2** | **0.8** | **(84.8)** | (76.6) | – | – | (76.6) |
| Operating profit | **45.3** | **(2.7)** | **(1.3)** | **1.2** | **0.8** | **43.3** | 42.7 | (0.7) | (3.1) | 38.9 |
| Finance income | **0.5** | **–** | **–** | **–** | **–** | **0.5** | – | – | – | – |
| Finance costs | **(1.4)** | **1.1** | **–** | **–** | **–** | **(0.3)** | (0.4) | – | – | (0.4) |
| Share of after tax results of associates | **–** | **–** | **–** | **–** | **–** | **–** | (0.1) | – | – | (0.1) |
| Profit before tax | **44.4** | **(1.6)** | **(1.3)** | **1.2** | **0.8** | **43.5** | 42.2 | (0.7) | (3.1) | 38.4 |
| Tax on profit | **(10.5)** | **–** | **–** | **–** | **–** | **(10.5)** | (14.4) | – | – | (14.4) |
| Profit for the period | **33.9** | **(1.6)** | **(1.3)** | **1.2** | **0.8** | **33.0** | 27.8 | (0.7) | (3.1) | 24.0 |

**Adjusting entries:**
**MOMA acquisition impact** – the remeasurement and release of the contingent consideration in respect of MOMA Foods Ltd following the Group's acquisition of the remaining 38.2% minority interest in December 2022.

**Gain on sale of property** – the gain on the disposal of the Newcastle distribution site in the year to 29 January 2023 and Sheffield distribution depot in the year to 30 January 2022.

**Boost acquisition fees** – the acquisition fees incurred on the successful acquisition of Boost Drinks Holdings Limited.

**Boost earn-out** – the accrual related to the potential payment of £10m associated with the acquisition of Boost Drinks Holdings Limited earn-out.

**Extra week trading** – the 12 months to 29 January 2023 was a 52 week period and the year ended 30 January 2022 was a 53 week period. This extra week of trading is removed for comparative purposes.

# **Reconciliation of Non-GAAP measures** continued

## **Adjusted Consolidated Income Statements** continued

| Like-for-like revenue growth | £m |
|---|---|
| Adjusted revenue for year to 29 January 2023 | **317.6** |
| Less Boost | **(7.3)** |
| Less MOMA revenue | **(8.2)** |
| | **302.1** |
| Adjusted revenue for period to 30 January 2022 | **261.8** |
| Less MOMA | **(1.1)** |
| | **260.7** |
| Movement | **41.4** |
| Growth | **15.9%** |

## **EBITDA**

| | **2023 £m** | 2022 £m |
|---|---|---|
| Operating profit reported | **45.3** | 42.7 |
| Depreciation and amortisation | **11.0** | 11.2 |
| **EBITDA** | **56.3** | 53.9 |

## **EBITDA margin**

| | **2023 £m** | 2022 £m |
|---|---|---|
| Revenue | **317.6** | 268.6 |
| EBITDA | **56.3** | 53.9 |
| **EBITDA margin** | **17.7%** | 20.1% |

## **Adjusted EBITDA**

| | **2023 £m** | 2022 £m |
|---|---|---|
| Operating profit adjusted | **43.3** | 38.9 |
| Depreciation and amortisation | **11.0** | 11.2 |
| **Adjusted EBITDA** | **54.3** | 50.1 |

## Adjusted EBITDA margin

| | **2023 £m** | 2022 £m |
|---|---|---|
| Adjusted revenue | **317.6** | 261.8 |
| Adjusted EBITDA | **54.3** | 50.1 |
| **Adjusted EBITDA margin** | **17.1%** | 19.1% |

## Adjusted EPS

| | **2023** | 2022 |
|---|---|---|
| Adjusted profit attributable to equity holders of the Company £m | **33.0** | 24.0 |
| Weighted average number of shares in issue | **111,258,209** | 111,187,778 |
| **Adjusted EPS (p)** | **29.66** | 21.59 |

## Full year dividend

| | **2023 pence** | 2022 pence |
|---|---|---|
| Interim dividend paid | **2.5** | 2.0 |
| Final dividend declared | **10.6** | 10.0 |
| **Full year dividend** | **13.1** | 12.0 |

## Gross margin reported

| | **2023 £m** | 2022 £m |
|---|---|---|
| Revenue | **317.6** | 268.6 |
| Reported gross profit | **128.1** | 118.6 |
| **Gross margin reported** | **40.3%** | 44.2% |

## Net cash at bank

| | **2023 £m** | 2022 £m |
|---|---|---|
| Cash and cash equivalents | **13.6** | 68.7 |
| Short-term investments | **40.0** | – |
| Loans and other borrowings | **(0.7)** | (0.3) |
| **Net cash at bank** | **52.9** | 68.4 |

# **Reconciliation of Non-GAAP measures** continued

## Operating margin

| | 2023 £m | 2022 £m |
|---|---|---|
| Revenue | **317.6** | 268.6 |
| Reported operating profit | **45.3** | 42.7 |
| **Operating margin** | **14.3%** | 15.9% |

## Adjusted operating margin

| | 2023 £m | 2022 £m |
|---|---|---|
| Adjusted revenue | **317.6** | 261.8 |
| Adjusted operating profit | **43.3** | 38.9 |
| **Adjusted operating margin** | **13.6%** | 14.9% |

## ROCE

| | 2023 £m | 2022 £m |
|---|---|---|
| Profit before tax | **44.4** | 42.2 |
| Intangible assets | **116.2** | 98.6 |
| Property, plant and equipment | **102.5** | 93.8 |
| Right-of-use assets | **5.4** | 4.2 |
| Investment in associates | **0.7** | 0.7 |
| Inventories | **34.7** | 24.2 |
| Trade and other receivables | **60.4** | 44.3 |
| Current tax | **(0.7)** | 0.3 |
| Trade and other payables | **(72.3)** | (54.0) |
| **Invested capital** | **246.9** | 212.1 |
| **ROCE** | **18.0%** | 19.9% |

# Notice of Annual General Meeting

**THE FOLLOWING INFORMATION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to any matter referred to in this report or as to the action you should take, you should seek your own personal financial advice from: (i) a stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom; or (ii) another appropriately authorised independent financial adviser if you are not resident in the United Kingdom.**

**If you have sold or otherwise transferred all of your shares in A.G. BARR p.l.c., please pass this report, together with the accompanying documents (except the accompanying personalised form of proxy), as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.**

Notice is hereby given that the one hundred and nineteenth Annual General Meeting of A.G. Barr p.l.c. (the "**Company**") will be held at the offices of Ernst and Young LLP, G1 Building, 5 George Square, Glasgow, G2 1DY on Friday 26 May 2023 at 12.00 p.m. to consider and, if thought fit, pass the resolutions set out below. Resolutions 1 to 16 (inclusive) will be proposed as ordinary resolutions and Resolutions 17 and 18 will be proposed as special resolutions. Voting on each of the resolutions will be conducted by way of a poll.

1. To receive and approve the audited accounts of the group and the Company for the year ended 29 January 2023 together with the directors' and auditor's reports thereon.

2. To approve the directors' remuneration policy set out on pages 107 to 121 of the Company's annual report and accounts for the year ended 29 January 2023.

3. To receive and approve the annual statement by the chair of the remuneration committee and the directors' remuneration report as set out on pages 89 to 91 and pages 92 to 106 respectively of the Company's annual report and accounts for the year ended 29 January 2023.

4. To declare a final dividend of 10.60 pence per ordinary share of 4 1/6 pence for the year ended 29 January 2023.

5. To re-elect Mr Mark Allen OBE as a director of the Company.

6. To re-elect Mr Roger Alexander White as a director of the Company.

7. To re-elect Mr Stuart Lorimer as a director of the Company.

8. To re-elect Mr Jonathan David Kemp as a director of the Company.

9. To re-elect Ms Susan Verity Barratt as a director of the Company.

10. To re-elect Ms Zoe Louise Howorth as a director of the Company.

11. To re-elect Mr David James Ritchie as a director of the Company.

12. To re-elect Mr Nicholas Barry Edward Wharton as a director of the Company.

13. To elect Ms Julie Anne Barr as a director of the Company.

14. To re-appoint Deloitte LLP as the Company's auditor, to hold office until the conclusion of the next general meeting at which accounts are laid, and to authorise the audit and risk committee of the board of directors of the Company to fix their remuneration.

# **Notice of Annual General Meeting** continued

15. THAT the board of directors of the Company (the "**Board**") be and it is hereby generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 (the "**2006 Act**") to exercise all the powers of the Company to allot shares in the capital of the Company and to grant rights to subscribe for or to convert any security into shares in the Company:
    (a) up to an aggregate nominal amount of £1,555,956.54; and
    (b) up to a further aggregate nominal amount of £1,555,956.54 provided that: (i) they are equity securities (within the meaning of section 560 of the 2006 Act); and (ii) they are offered by way of a rights issue in favour of the holders of shares (excluding the Company in its capacity as a holder of treasury shares) on the register of members of the Company on a date fixed by the Board where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as practicable) to the respective numbers of shares held by them on that date subject to such exclusions or other arrangements as the Board deems necessary or expedient to deal with: (i) equity securities representing fractional entitlements; (ii) treasury shares; and/or (iii) legal or practical problems arising in any overseas territory, the requirements of any regulatory body or any stock exchange or any other matter whatsoever,

    provided that this authority shall expire on the earlier of 31 July 2024 and the conclusion of the next annual general meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or enter into an agreement which would or might require shares to be allotted, or rights to subscribe for or to convert securities into shares to be granted, after such expiry and the Board may allot shares or grant such rights in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

16. THAT:
    (a) the A.G. BARR p.l.c. 2023 Long Term Incentive Plan (the "**2023 LTIP**") the principal terms of which are summarised in Appendix 1 to this Notice of Annual General Meeting and the rules of which are produced at the meeting (and, for the purposes of identification, initialled by the Chair) be and hereby is approved and adopted, and that the directors be authorised to do all acts and things which they may consider necessary or expedient to carry the 2023 LTIP into effect; and
    (b) the directors be and are hereby authorised to establish such further plans based on the 2023 LTIP as they consider necessary or desirable but which have been modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any share made available under such further plans are treated as counting against any limits on individual or overall participation in the 2023 LTIP.

17. THAT, subject to the passing of Resolution 15 set out in the notice of the annual general meeting of the Company convened for 26 May 2023 ("**Resolution 15**"), the board of directors of the Company (the "**Board**") be and it is hereby generally empowered, pursuant to sections 570 and 573 of the Companies Act 2006 (the "**2006 Act**"), to allot equity securities (within the meaning of section 560 of the 2006 Act) (including the grant of rights to subscribe for, or to convert any securities into, ordinary shares of 4 1/6 pence each in the capital of the Company ("**Ordinary Shares**")), wholly for cash either pursuant to the authority conferred on them by Resolution 15 or by way of a sale of treasury shares (within the meaning of section 560(3) of the 2006 Act) as if section 561(1) of the 2006 Act did not apply to any such allotment or sale, provided that this power shall be limited to:
    (a) the allotment of equity securities, for cash, in connection with a rights issue, open offer or other pre-emptive offer in favour of holders of Ordinary Shares (excluding the Company in its capacity as a holder of treasury shares) on the register of members of the Company on a date fixed by the Board where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as practicable) to the respective numbers of Ordinary Shares held by them on that date subject to such exclusions or other arrangements in connection with the rights issue, open offer or other offer as the Board deem necessary or expedient to deal with: (i) equity securities representing fractional entitlements; (ii) treasury shares; and / or (iii) legal or practical problems arising in any overseas territory, the requirements of any regulatory body or any stock exchange or any other matter whatsoever; and
    (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £466,786.96,

    provided that this authority shall expire on the earlier of 31 July 2024 and the conclusion of the next annual general meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or enter into an agreement which would or might require equity securities to be allotted after the expiry of this authority and the Board may allot equity securities pursuant to such an offer or agreement as if the authority conferred hereby had not expired.

18. THAT the Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 (the "**2006 Act**") to make one or more market purchases (within the meaning of section 693(4) of the 2006 Act) of ordinary shares of 4 1/6 pence each in the capital of the Company ("**Ordinary Shares**"), on such terms and in such manner that the directors think fit, provided that:
    (a) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased shall be 11,202,887;
    (b) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share is an amount equal to the higher of: (i) 105% of the average of the middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five dealing days immediately preceding the day on which the Ordinary Share is purchased; and (ii) the higher of the price of the last independent trade and the highest current independent bid for an Ordinary Share on the trading venue where the purchase is carried out;
    (c) the minimum price which may be paid for an Ordinary Share is an amount equal to its nominal value (in each case exclusive of associated expenses);
    (d) unless previously renewed, varied or revoked, the authority hereby conferred shall expire on the earlier of 31 July 2024 and the conclusion of the next annual general meeting of the Company after the passing of this resolution, but a contract to purchase Ordinary Shares may be made before such expiry which will or may be completed wholly or partly thereafter, and a purchase of Ordinary Shares may be made in pursuance of any such contract; and
    (e) an Ordinary Share so purchased shall be cancelled or, if the directors so determine and subject to the provisions of applicable laws or regulations of the Financial Conduct Authority, held as a treasury share.

By order of the Board

**J.A. Barr**
Company Secretary
25 April 2023

Registered Office
A.G. BARR p.l.c., Westfield House, 4 Mollins Road, Cumbernauld, G68 9HD. Registered in Scotland SC005653.

**Shareholders should also read the notes to this Notice of Annual General Meeting which are set out on pages 211 to 214 of this report. Those notes provide further information about shareholders' entitlement to attend, speak and vote at the Annual General Meeting (and their ability to appoint another person to do so on their behalf).**

# **Notice of Annual General Meeting** continued

## Explanatory Notes

**The following notes provide an explanation of the resolutions to be considered at the one hundred and nineteenth annual general meeting (the "AGM") of A.G. BARR p.l.c. (the "Company").**

The board of directors of the Company (the "**Board**") considers that all the resolutions to be considered at the AGM are in the best interests of the Company and its shareholders as a whole and unanimously recommends that you vote in favour of them.

Resolutions 1 to 16 (inclusive) will be proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution.

Resolutions 17 and 18 will be proposed as special resolutions. This means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

### Resolution 1 – Receive and approve the reports and accounts

Shareholders are being asked to receive and approve the audited accounts of the group and the Company (as audited by Deloitte LLP) for the year ended 29 January 2023 together with the associated reports of the directors and auditor.

### Resolutions 2 and 3 – Directors' remuneration

The directors' remuneration report is divided into three parts: the annual statement by the chair of the remuneration committee, the directors' remuneration policy and the directors' remuneration report.

- The annual statement by the chair of the remuneration committee (which is set out on pages 89 to 91 of this report) provides a summary of the directors' remuneration policy and the directors' remuneration report.
- The directors' remuneration policy (which is set out on pages 107 to 121 of this report) sets out the Company's future policy on directors' remuneration.
- The directors' remuneration report (which is set out on pages 92 to 106 of this report) gives details of the payments and share awards made to the directors in connection with their and the Company's performance during the year ended 29 January 2023. It also details how the Company's policy on directors' remuneration will be operated in the coming year.

(i) Resolution 2 invites shareholders to approve the directors' remuneration policy. This is a binding policy and, after it takes effect, the directors will not be entitled to remuneration unless such remuneration is consistent with the approved policy or shareholders otherwise approve the remuneration. If Resolution 2 is approved, the policy will take effect from the conclusion of the AGM. Shareholders will be given a binding vote on the directors' remuneration policy at least every three years.

(ii) Resolution 3 invites shareholders to approve the annual statement by the chair of the remuneration committee and the directors' remuneration report (other than the directors' remuneration policy) for the year ended 29 January 2023. This resolution is an advisory vote and will not affect the way in which the Company's remuneration policy has been implemented. Each year, shareholders will be given an advisory vote on the implementation of the directors' remuneration policy in relation to the payments and share awards made to directors during the year under review.

### Resolution 4 – Final dividend

Shareholders are being asked to approve a final dividend of 10.60 pence per ordinary share of 4 1/6 pence for the year ended 29 January 2023. If shareholders approve the recommended final dividend, it will be paid on 9 June 2023 to all shareholders on the Company's register of members on 12 May 2023.

### Resolutions 5 to 13 inclusive – Re-election and election of directors

The Company's Articles of Association provide that the Company may by ordinary resolution appoint any person who is willing to act to be a director, either to fill a vacancy or as an addition to the existing Board. Mr William Robin Graham Barr will retire from the Board at the AGM and Ms Julie Anne Barr will offer herself for election at the AGM.

The Board complies with the provisions of the UK Corporate Governance Code whereby all directors are subject to annual re-election. Accordingly, all directors of the Company are retiring and, with the exception of Mr William Robin Graham Barr, offering themselves for re-election.

Biographical details of the directors and Ms Julie Anne Barr as a proposed director are set out on pages 70 to 71 of this report. The Board has confirmed that, following formal performance evaluation, all of the directors continue to perform effectively and demonstrate commitment to their roles. The Board therefore unanimously recommends the proposed re-election (or election in the case of Ms Julie Anne Barr) of the directors.

### Resolution 14 – Re-appointment of auditor

The Company is required to appoint an auditor at each general meeting at which accounts are presented to shareholders and Deloitte LLP have indicated their willingness to continue in office. Accordingly, shareholders are being asked to approve the re-appointment of Deloitte LLP as auditor of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and to authorise the audit and risk committee of the Board to fix their remuneration.

### Resolution 15 – Authority to allot shares

The directors may not allot shares in the Company unless authorised to do so by shareholders in the general meeting. Sub-paragraph (a) of Resolution 15, if passed, will authorise the directors to allot shares having an aggregate nominal value of up to £1,555,956.54, representing approximately one third of the Company's issued share capital as at 19 April 2023 (being the latest practicable date prior to the publication of this report). The directors have no present intention to exercise this authority.

In line with guidance issued by the Investment Association, sub-paragraph (b) of Resolution 15, if passed, will authorise the directors to allot additional shares in connection with a rights issue having an aggregate nominal value of up to £1,555,956.54, representing approximately one third of the Company's issued share capital as at 19 April 2023 (being the latest practicable date prior to the publication of this report). The directors have no present intention to exercise the authority sought under sub-paragraph (b) of Resolution 15. However, if such authority is obtained, it will give the Company greater flexibility to allot additional shares for the purpose of a pre-emptive rights issue. This authority will be used when the directors consider it to be in the best interests of shareholders.

The authorities sought under Resolution 15 will expire on the earlier of 31 July 2024 (being the latest date by which the Company must hold its annual general meeting in 2024) and the conclusion of the annual general meeting of the Company held in 2024.

### Resolution 16 – Adoption of new LTIP

The Board has recommended that the new A.G. BARR p.l.c. 2023 Long Term Incentive Plan (the "**2023 LTIP**") be approved and adopted. The 2023 LTIP would replace the existing A.G. BARR p.l.c. Long Term Incentive Plan 2014 (the "**2014 LTIP**"), which was approved by the Company in general meeting on 27 May 2014 and is due to expire in 2024. Given that the Company is seeking approval for a new Directors' Remuneration Policy at the AGM, the Remuneration Committee has recommended that shareholder approval is sought this year for the new 2023 LTIP. The 2023 LTIP is based on the 2014 LTIP but has been updated to reflect changes in the proposed Directors' Remuneration Policy and developments in market practice.

Resolution 16, which approves the adoption of the 2023 LTIP, is proposed as an ordinary resolution. The principal terms of the 2023 LTIP are summarised in Appendix 1 to this Notice of Annual General Meeting.

# **Notice of Annual General Meeting** continued

### Resolution 17 – Disapplication of statutory pre-emption rights
If the directors wish to allot new shares for cash, the Companies Act 2006 states that the shares must be offered first to existing shareholders in proportion to their existing shareholdings. For legal, regulatory and practical reasons, it might not be possible or desirable for shares allotted by means of a pre-emptive offer to be offered to certain shareholders, particularly those resident overseas. Furthermore, it might, in some circumstances, be in the Company's interests for the directors to be able to allot some shares for cash without having to offer them first to existing shareholders. To enable this to be done, shareholders' statutory pre-emption rights must be disapplied. Accordingly, Resolution 17, if passed, will empower the directors to allot a limited number of new equity securities without shareholders' statutory pre-emption rights applying to such allotment. The authority conferred by Resolution 17 would also cover the sale of treasury shares for cash.

Sub-paragraph (a) of Resolution 17 will, if passed, confer authority on the directors to make any arrangements which may be necessary to deal with any legal, regulatory or practical problems arising on a rights issue, an open offer or any other pre-emptive offer in favour of ordinary shareholders, for example, by excluding certain overseas shareholders from such issue or offer.

Sub-paragraph (b) of Resolution 17 will, if passed, disapply shareholders' statutory pre-emption rights by empowering the directors to allot equity securities for cash on a non pre-emptive basis but only new equity securities having a maximum aggregate nominal value of £466,786.96, representing approximately 10% of the Company's issued share capital as at 19 April 2023 (being the latest practicable date prior to the publication of this report).

The authority sought under Resolution 17 will expire on the earlier of 31 July 2024 (being the latest date by which the Company must hold an annual general meeting in 2024) and the conclusion of the annual general meeting of the Company held in 2024.

### Resolution 18 – Purchase of own shares
The Companies Act 2006 permits a company to purchase its own shares provided the purchase has been authorised by shareholders in general meeting.

Resolution 18, if passed, will give the Company the authority to purchase any of its own issued ordinary shares at a price of not less than an amount equal to the nominal value of an ordinary share and not more than the higher of: (i) 5% above the average of the middle market quotations of the Company's ordinary shares as derived from the London Stock Exchange Daily Official List for the five dealing days before any purchase is made; and (ii) the higher of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share on the trading venue where the purchase is carried out.

The authority will enable the purchase of up to a maximum of 11,202,887 ordinary shares, representing approximately 10% of the Company's issued ordinary share capital as at the date of the AGM, and will expire on the earlier of 31 July 2024 (being the latest date by which the Company must hold an annual general meeting in 2024) and the conclusion of the annual general meeting of the Company held in 2024.

The directors will only exercise this buy back authority after careful consideration, taking into account market conditions prevailing at the time, other investment opportunities, appropriate gearing levels and the overall position of the Company. Purchases would be financed out of distributable profits and shares purchased would either be cancelled (and the number of shares in issue reduced accordingly) or held as treasury shares.

The Company operates two share option schemes under which awards may be satisfied by the allotment or transfer of ordinary shares to a scheme participant. However, in practice, the Company has always satisfied awards to participants by the transfer of ordinary shares from the trustee of each of the schemes.

As at 19 April 2023 (being the latest practicable date prior to the publication of this report), options had been granted over 1,974,345 ordinary shares (the "**Option Shares**") representing approximately 1.76% of the Company's issued share capital at that date. If the authority to purchase the Company's ordinary shares (as described in Resolution 18) was exercised in full, the Option Shares would have represented approximately 1.95% of the Company's issued share capital as at 19 April 2023. As at 19 April 2023, the Company did not hold any treasury shares.

## NOTES

**1. Attending the Annual General Meeting in person**
If you wish to attend the Annual General Meeting ("**AGM**") in person, you should arrive at the venue for the AGM in good time to allow your attendance to be registered. It is advisable to have some form of identification with you as you may be asked to provide evidence of your identity to the Company's registrar, Equiniti Limited (the "**Registrar**"), prior to being admitted to the AGM.

**2. Appointment of a proxy**
Members are entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote at the AGM. A proxy need not be a member of the Company but must attend the AGM to represent a member. To be validly appointed, a proxy must be appointed using the procedures set out in these notes and in the notes to the accompanying proxy form.

If a member wishes a proxy to speak on their behalf at the AGM, the member will need to appoint their own choice of proxy (not the Chair of the AGM) and give their instructions directly to them. Such an appointment can be made using the proxy form accompanying this notice of AGM, electronically, through CREST, or through Proxymity.

Members can only appoint more than one proxy where each proxy is appointed to exercise rights attached to different shares. Members cannot appoint more than one proxy to exercise the rights attached to the same share(s). If a member wishes to appoint more than one proxy, they should contact the Registrar at Equiniti Limited, Aspect House, Spencer Road, Lancing, BN99 6DA.

A member may instruct their proxy to abstain from voting on a particular resolution to be considered at the AGM by marking the "Withheld" option in relation to that particular resolution when appointing their proxy. It should be noted that an abstention is not a vote in law and will not be counted in the calculation of the proportion of votes "For" or "Against" the resolution.

The appointment of a proxy will not prevent a member from attending the AGM and voting in person if he or she wishes.

A person who is not a member of the Company but who has been nominated by a member to enjoy information rights does not have a right to appoint a proxy under the procedures set out in these notes and should read note 9 below.

**3. Appointment of a proxy using a proxy form or electronically**
A proxy form for use in connection with the AGM is enclosed. To be valid, any proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand by the Registrar at Equiniti Limited, Aspect House, Spencer Road, Lancing, BN99 6DA, or submitted electronically at www.sharevote.co.uk at least 48 hours before the time of the AGM or any adjournment of that meeting.

If you do not have a proxy form and believe that you should have one, or you require additional proxy forms, please contact the Registrar at Equiniti Limited, Aspect House, Spencer Road, Lancing, BN99 6DA.

# **Notice of Annual General Meeting** continued

### 4. Appointment of a proxy through CREST

CREST members who wish to appoint a proxy through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and by logging on to: www.euroclear.com. CREST personal members or other CREST sponsored members and those CREST members who have appointed (a) voting service provider(s) should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & International Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Registrar (ID RA19) no later than 48 hours before the time of the AGM or any adjournment of that meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to a proxy appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed (a) voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this regard, CREST members and, where applicable, their CREST sponsors or voting system provider(s) are referred to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

### 5. Appointment of a proxy through Proxymity

If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 12.00 p.m. on 24 May 2023 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

### 6. Appointment of a proxy by joint holders

In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the purported appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).

### 7. Corporate representatives

Any corporation which is a member can appoint one or more corporate representatives. Members can only appoint more than one corporate representative where each corporate representative is appointed to exercise rights attached to different shares. Members cannot appoint more than one corporate representative to exercise the rights attached to the same share(s).

**8. Entitlement to attend and vote**
To be entitled to attend and vote at the AGM (and for the purpose of determining the votes they may cast), members must be registered in the Company's register of members at 6.30 p.m. on 24 May 2023 (or, if the AGM is adjourned, at 6.30 p.m. on the day two days prior to the adjourned meeting). Any changes to the Company's register of members after the relevant deadline will be disregarded in determining the rights of any person to vote at the AGM.

**9. Nominated persons**
Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 (the "**2006 Act**") to enjoy information rights (a "**Nominated Person**") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

**10. Website giving information regarding the AGM**
Information regarding the AGM, including information required by section 311A of the 2006 Act, and a copy of this notice of AGM is available from www.agbarr.co.uk.

**11. Audit concerns**
Members should note that it is possible that, pursuant to requests made by members of the Company under section 527 of the 2006 Act, the Company may be required to publish on a website a statement setting out any matter relating to: (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (b) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the 2006 Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the 2006 Act. Where the Company is required to place a statement on a website under section 527 of the 2006 Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the 2006 Act to publish on a website.

**12. Voting rights**
As at 19 April 2023 (being the latest practicable date prior to the publication of this notice), the Company's issued share capital consisted of 112,028,871 ordinary shares of 4 1/6 pence each, carrying one vote each. As at 19 April 2023, the Company did not hold any treasury shares. Therefore, the total voting rights in the Company as at 19 April 2023 were 112,028,871 votes.

**13. Shareholder questions**
Shareholders have the right to ask questions related to the business of the meeting. Shareholders can submit questions related to the business of the meeting by email to agm2023@agbarr.co.uk. Answers to shareholder questions will be sent to individual shareholders as soon as practically possible after the AGM.

**14. Voting at the AGM**
Shareholders are able to vote in advance of the meeting using their proxy form enclosed. The proxy form covers all resolutions to be proposed at the AGM.

Shareholders are being encouraged to submit their votes as early as possible and by no later than 48 hours before the time of the AGM. Votes can be submitted either by returning the proxy form in the post (postage is pre-paid), or electronically by following the instructions set out on the proxy form.

Voting on all resolutions at the AGM will be conducted by way of a poll. The results of the poll will be announced to the London Stock Exchange as soon as possible after the conclusion of the AGM and will be published on our website.

# Notice of Annual General Meeting continued

**15. Notification of shareholdings**
Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chair of the AGM as his/her proxy will need to ensure that both he/she, and his/her proxy, comply with their respective disclosure obligations under the UK Disclosure Guidance and Transparency Rules.

**16. Further questions and communication**
Under section 319A of the 2006 Act, the Company must cause to be answered any question relating to the business being dealt with at the AGM put by a member attending the meeting unless answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, or the answer has already been given on a website in the form of an answer to a question, or it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

Members who have any general queries about the AGM should contact the Company Secretarial Department by email to: companysecretarialdepartment@agbarr.co.uk.

Members may not use any electronic address provided in this report or in any related documents (including the accompanying proxy form) to communicate with the Company for any purpose other than those expressly stated.

**17. Documents available for inspection**
The following documents will be available for inspection on the day of the AGM at the offices of Ernst and Young LLP, G1 Building, 5 George Square, Glasgow, G2 1DY from 11.45 a.m. until the conclusion of the AGM:

17.1 copies of the service contracts of the Company's executive directors;
17.2 copies of the letters of appointment of the Company's non-executive directors; and
17.3 the draft rules of the A.G. BARR p.l.c. 2023 Long Term Incentive Plan (the "2023 LTIP") will be available for inspection on the National Storage Mechanism at https://data.fca.org.uk/#/nsm/nationalstoragemechanism from the date of sending this document. The draft rules of the 2023 LTIP will also be on display at the place of the AGM for at least 15 minutes before the AGM and during the AGM.

# Appendix 1

## PRINCIPAL TERMS OF THE 2023 LTIP

The principal terms of the A.G. BARR p.l.c. 2023 Long Term Incentive Plan (the "**2023 LTIP**") are summarised below. A copy of the rules of the proposed 2023 LTIP may be inspected as specified in note 17 to the Notice of Annual General Meeting.

### Background and operation

The 2023 LTIP will have a 10-year life-span from the date of adoption (for awards and options to be granted under it).

The Remuneration Committee of the Board of the Company (the **"Committee"**) will supervise the operation of the 2023 LTIP.

### Eligibility

Any employee or executive director of the Company or any of its subsidiaries is eligible if selected by the Committee.

### Grant of awards

The Committee may grant awards as conditional share awards or as options (either of these being an "**Award**"). The Committee anticipates that any such option would usually have a nil (or nominal) exercise price but may set the exercise price differently.

Awards may be granted within six weeks following the Company's adoption of the 2023 LTIP, announcement of its results for any period or implementation of a new directors' remuneration policy. The Committee may also grant Awards at any other time when it considers there are exceptional circumstances which justify the granting of Awards.

Awards may not be granted more than 10 years after the date of adoption of the 2023 LTIP.

Awards are not transferable or pensionable.

### Individual limit

Ordinarily, Awards will not be granted to a participant in respect of any financial year under the 2023 LTIP over shares with a market value in excess of 150% of the participant's annual base salary. In exceptional circumstances, as determined by the Committee, this limit may be increased to 200% of annual base salary. The limit will not take into account any dividend equivalents awarded (see below as to "dividend equivalents"). In addition, the limit does not apply to Awards granted to replace elements of remuneration forfeited by an individual on leaving a previous employment in order to take up employment with a group company.

### Vesting of Awards

Awards may be granted subject to performance conditions set by the Committee which will be tested in respect of a performance period. The proposed performance conditions for Awards to be granted to executive directors of the Company in 2023 are described in the Company's Directors' Remuneration Report for the year to 29 January 2023.

A performance period will normally be a period of at least three years. Once the performance period has passed, the extent to which an Award vests will be determined by the Committee. Ordinarily, awards will vest on the third anniversary of the date of grant, or such earlier date as the Committee shall determine. Vesting may also occur earlier on certain events such as the individual leaving employment or certain corporate events (as described further under the relevant headings below).

Any performance condition may be amended or substituted if one or more events occur which cause the Committee to consider that an amended or substituted performance condition would be more appropriate. Any amended or substituted performance condition would not be materially less difficult to satisfy.

# **Appendix 1** continued

The Committee retains discretion to adjust the level of vesting of Awards upwards or downwards if in its opinion the level of vesting resulting from the application of any applicable performance condition is not a fair and accurate reflection of business performance or the participant's personal performance or if there are any other factors the Committee considers would make the level of vesting inappropriate without adjustment.

Awards granted in the form of options will usually be capable of exercise from the date on which they vest until the tenth anniversary of the date of grant (or such earlier date as the Committee shall determine). Awards may also lapse on certain events such as the individual leaving employment or certain corporate events (as described further under the relevant headings below).

**Dividend equivalents**
The Committee may decide that participants will receive additional shares on vesting/exercise which have a value equivalent to the dividends that have been paid on vested shares over the period from grant until the vesting date.

**Holding period post vesting**
At its discretion, the Committee may grant Awards subject to a holding period following vesting. The Committee anticipates that a holding period of two years following vesting will apply to Awards granted to executive directors of the Company under the 2023 LTIP.

In the event of cessation of employment (except where cessation is by reason of death), the participant will normally remain subject to any post-vesting holding requirements. In the event of a takeover or reconstruction, or if the Committee determines at its absolute discretion, the Awards (and resulting shares) will be released from the holding period.

**Cash alternative**
The Committee may determine (in its discretion) that participants will receive an amount of cash on the vesting of their Awards which is equivalent to the value of the vested shares and/or equivalent to the value of any dividend equivalents (rather than satisfying either or both of these in shares).

**Leaving employment**
Awards will normally lapse upon a participant ceasing to hold employment or be a director within the Company's group. However, if a participant ceases to be an employee and/or director (as applicable) because of their death, ill-health, injury, disability, their employing company or the business for which they work being sold out of the Company's group or any other reason determined by the Committee in its discretion as being relevant, then their Award may vest if the Committee so decides. The Committee will decide whether an Award will vest at the date of cessation or will continue and vest on the originally anticipated vesting date. In either case, the number of shares in respect of which the Award vests will ordinarily be determined taking into account the extent to which any applicable performance condition is satisfied (at termination or the end of the performance period as appropriate) and, unless the Committee determines otherwise, the proportion of the performance period (or for any Awards granted that are not subject to performance conditions, the proportion of the relevant vesting period) that has elapsed at the date of termination. The Committee retains discretion in exceptional circumstances to determine the number of shares in respect of which an Award vests on another basis which it considers reasonable in all the circumstances. If a participant ceases employment as a "good leaver" after an award granted in the form of an option has vested but before it has been exercised, the option may be exercised in the period of six months after the participant ceases employment (or 12 months in the event of death).

**Corporate events**
In the event of a reconstruction or takeover before an Award vests, the Committee will determine the extent to which the Award vests, taking into account the extent to which any applicable performance condition has been met and, unless the Committee determines otherwise, the proportion of the performance period (or for any Awards granted that are not subject to performance conditions, the proportion of the relevant vesting period) that has elapsed. Alternatively, the Committee may decide to allow or require Awards to be replaced by new awards (which are equivalent in the Committee's opinion) over shares in another company or companies.

Any Award which has not (or to the extent it has not) vested or been replaced on such corporate events will lapse. Any option which has vested but not been exercised (or to the extent it has not) will lapse at the expiry of the timeframe set by the Committee for the participant to exercise their option or accept a replacement award.

If there is a reconstruction or takeover after an award granted in the form of an option has vested but before it has been exercised, the option may be exercised during the period set by the Committee.

If a variation to the share capital of the Company, a demerger, special dividend or other similar corporate event occurs, the Committee may adjust Awards in such ways as it considers appropriate.

**Malus**

The Committee may decide, at the vesting of an Award or at any time before the vesting date of an Award, that an Award shall be reduced or cancelled or made subject to additional conditions (including amending performance conditions, performance periods or vesting periods or deferring the vesting date) in the following circumstances:

(i) discovery of a material misstatement resulting in an adjustment in the historical audited accounts of the Company or any group company;

(ii) the assessment of any performance target or condition in respect of an Award was based on error, or inaccurate or misleading information;

(iii) the discovery that any information used to determine the number of shares subject to an Award was based on error, or inaccurate or misleading information;

(iv) action or conduct of a participant which, in the reasonable opinion of the Committee, amounts to fraud or gross misconduct;

(v) events or the behaviour of a participant have led to the censure of a group company by a regulatory authority or have had a significant detrimental impact on the reputation of any group company provided that the Committee is satisfied that the relevant participant was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to them;

(vi) a material failure of risk management of the Company, a group company or a business unit of the group provided that the Committee is satisfied that the relevant participant was responsible; and/or

(vii) the Company or any group company or business of the group becomes insolvent or otherwise suffers a corporate failure so that the value of shares is materially reduced provided that the Committee determines following an appropriate review of accountability that the participant should be held responsible (in whole or in part) for that insolvency or corporate failure.

**Clawback**

The Committee may apply clawback to all or part of a participant's Award in substantially the same circumstances as apply to malus (as described above) during the period of two years following the vesting of an Award. Clawback may be effected, among other means, by requiring the transfer of shares, payment of cash or reduction of Awards.

**Overall 2023 LTIP limits**

The 2023 LTIP may operate over newly issued ordinary shares, treasury shares or ordinary shares purchased in the market or transferred from one of the Company's employee benefit trusts.

The 2023 LTIP shall be operated so that, in any 10 year period, the Company does not issue (or grant options or other rights to be issued with) shares which (ignoring any options or rights which have lapsed) exceed (i) 10% of the issued ordinary share capital of the Company under the 2023 LTIP and all employee share plans operated by the Company; or (ii) 5% of the issued ordinary share capital of the Company under the 2023 LTIP and any other discretionary share plan adopted by the Company. For these purposes, treasury shares shall be counted as newly issued when they are transferred from treasury for so long as the Committee considers it best practice to do so.

# Appendix 1 continued

**Participants' rights**
Awards will not confer any shareholder rights until the Awards have vested (and in the case of options been exercised) and the participants have received their shares. Neither the grant of an Award nor vesting of it will confer any entitlement to dividend equivalents (as this is at the Committee's discretion).

**Amendments to the 2023 LTIP**
The Committee may, in its discretion, amend the rules of the 2023 LTIP in any way. Amendments may not normally adversely affect the rights of participants except where participants are notified of such amendment and the majority of participants affected by the change approve such amendment.

Shareholders in general meeting must approve proposed changes which are to the advantage of participants and which relate to eligibility, individual and plan limits, the basis for determining a participant's entitlement to and the terms of shares provided under the 2023 LTIP, the adjustments that may be made on a variation of share capital and the rule in the 2023 LTIP requiring shareholder approval for amendments.

The Committee may, however, without shareholder approval, make minor changes to the advantage of participants which benefit the administration of the plan, to comply with or take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment of any group company or any participant.

The Board may, at any time, establish further plans based on the 2023 LTIP for overseas territories but modified to take account of local tax, exchange control or securities laws. Any shares made available under such further overseas plans must be treated as counting against the limits on individual and overall participation under the 2023 LTIP. The Committee has discretion to terminate the 2023 LTIP at any time, without prejudice to subsisting Awards.

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