

British Sugar plc - Section 172 statement

The Company is a subsidiary of ABF and as such the Company has adopted and directors have due regard to applicable group policies and procedures which impact on the Company's stakeholders, including those referred to on page 72 of the ABF 2020 annual report and accounts.

The directors are required to act in a way which they consider, in good faith, is most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, have regard (amongst other matters) to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006.

As part of the identification of key stakeholders, the directors have identified the following stakeholder groups with whom engagement is fundamental to the Company's ongoing success:

- Employees
- Suppliers
- Customers
- Communities and environment
- Government and regulators
- Shareholder
- ABF and other group companies

Employees

The Company employs around 1,600 people. Our people are central to the Company's success and employee engagement is crucial to embedding our culture and values, and to helping our people see how their efforts contribute to their Company's strategic objectives. The directors take their responsibility to communicate well and build engaged teams seriously. During the year, the Company launched new engagement tools for our people - including *Workplace* by Facebook - which enables delivery of new and different director communications via video, virtual question and answer sessions and a regular flow of information. Employees were also encouraged to present their suggestions and views, including through our *Insights Survey*. This year our survey results showed our people feel we have improved in 12 out of 15 categories. We continue to focus improvement actions on supporting leadership capability in response. Using focus groups, we have listened to our people on key topics including *Black Lives Matter* and mental health. Ensuring our employees' working environment is safe is a non-negotiable for our directors - nothing we do is worth getting hurt for. This year we have established a new Safety Steering Group to drive stronger leadership behaviours and encouraged our people to share learnings with each other. We have also supported our people with the opportunities to share how they are feeling and support each other online as well as in person.

Suppliers

Our Supplier Code of Conduct, which applies to all companies in the ABF group and which can be found on the ABF website (www.abf.co.uk), sets out our values and standards on how we work and engage with our suppliers on ethical, environmental and other relevant matters including on key issues such as payment practices, responsible sourcing, supply chain sustainability and human rights and modern slavery. The Company is a signatory to the Prompt Payment Code and also makes public disclosure twice a year of its payment practices.

A critical supplier group is our 3,000 grower, hauliers and harvester contractors. Through deep and well-established relationships with individual growers and businesses we drive better decision making and collaborative working. Our Grower and Haulier Handbooks set out our expectations and commitments and we deliver regular and clear communications to all growers, hauliers and harvesters in our supply chain. In the past year we have invested in a new digital platform to enable better sharing of information and engagement in industry topics. Through the British Beet Research Organisation (“BBRO”), a non-profit making company funded jointly by British Sugar and UK sugar beet growers, we collaborate on research to increase the competitiveness and profitability of our industry in a sustainable and environmentally acceptable manner. Our commercial relationship with the National Farmers Union (“NFU”), through NFU Sugar, the representative body for our growers, supports effective advocacy and a well understood contractual dialogue.

Customers

Customer needs are at the heart of business decision making, whether from new products and services, order fulfilment or sustainability and quality policies. The Board and senior management teams are regularly updated on key customer needs from direct engagement with customers, anonymous customer surveys and market insights. We uphold the highest standards for quality and service flexibility and aim to stay one step ahead of our customers’ needs, scanning the consumer and supply markets for changes that can impact our customers. We regularly track customer feedback, adopt a continuous improvement approach and strive to be our customers’ supplier of choice.

Communities and environment

Supporting society and respecting the environment are two of the key ways through which we live our values and make a difference. The Company is committed to seeking sustainable solutions to environmental challenges and adapting our operations to respond to changes in the natural environment.

As a Company, we believe we can have the greatest impact by supporting the charities and communities closest to our sites. Through our *One Team, One Community* programme five of our sites have £5,000 available with colleagues applying for up to £350 per cause and a 30 mile site radius set to maintain the local link. The Company also runs a matched funding scheme called *Supporting You To Support Others* and we encourage our people to get involved in local volunteering opportunities. Supporting our communities during the COVID-19 pandemic was very important. We used alcohol produced at our Wisington factory to help towards meeting the increased national demand for hand sanitiser including providing bottles for public services near to the British Sugar factories, including the National Health Service (“NHS”), police, care homes and schools. We continue to support supplies throughout the pandemic. Food banks across our communities saw a shortage in supplies of sugar during the UK-wide lockdown. In response to this, our teams delivered sugar across

our regions to boost these charities' stocks. Our staff members also supported countless smaller causes including providing sugar for home bakers making cakes for NHS workers and to a curry house providing meals to the local hospital.

We are committed to fulfilling our compliance obligations for all applicable environmental legislation and protecting the environment through the prevention of pollution from our sites. During the COVID-19 pandemic we continued to meet all of these requirements and worked on enhancing our environmental performance through the continual improvement of our environment management system and process of monitoring, measuring and reviewing our potential environmental impacts. We are certified by both the ISO 14001 environment and ISO 50001 energy management systems.

We put sustainability at the heart of everything we do and are focused on reducing our environmental impact not just in our factories, but across every aspect of our business. We continue to work closely with our growers to improve on-farm environmental performance and to maintain and improve soil health. We manage waste and water usage carefully across our sites which means that we generate only 200g of waste per tonne of sugar. We have reduced our water usage across the business by 26% over the past six years. Our target is to reduce the carbon emissions across our beet sugar supply chain by 30% by 2030. We have plans to reduce our energy usage to support this and we are working in partnership with our inbound and outbound logistics partners to drive fuel efficiency. Our sites are good places to continue to encourage biodiversity development; we continue to support nesting birds and wildflowers, and continue to plant trees and work with the Royal Society for the Protection of Birds at our Cantley site.

Government and regulators

The Company can be impacted by changes in laws and public policy including issues such as COVID-19 and the UK's withdrawal from the EU. To mitigate the Company's exposure to such risks and to contribute to, and anticipate, important changes in public policies impacting our operations and sites, the directors have a regular dialogue, either directly or through being part of the broader ABF group, with government ministers, officials and constituency MPs in relation to policies. The directors recognise the importance of an open dialogue with our regulatory bodies which include the Environment Agency and the Health and Safety Executive.

Shareholder

The Company reports up to its immediate shareholder, ABF Investments plc, and ultimately to the board of ABF, through reports up to the senior management of the Sugar and Grocery divisions of which the Company forms a significant part. The Company takes appropriate steps to ensure that its shareholder is kept up to date on key business activities and decisions.

ABF and other group companies

The Company forms part of the group of companies headed by ABF and the Company's accounts are consolidated into the ABF annual report and accounts. Group companies can provide financial and other support to the Company and the sharing of best practice and know-how between the businesses within the broader group is actively encouraged.

Principal decisions

Below are some examples of the principal decisions taken during the year, how the directors considered stakeholder views and interests and how such consideration impacted on decision-making.

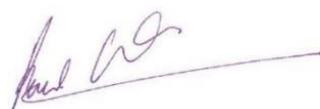
Investment in tools for our people: Responding to the needs of our people and to support greater communication and engagement between teams, this year the directors approved two new workplace digital tools: *Workplace* by Facebook to drive greater collaboration, sharing and celebration and *Recognize* which is an online recognition and reward tool. These investments responded directly to feedback and have seen excellent levels of uptake.

COVID-19 investment: Since the start of the COVID-19 pandemic the focus of the directors has been on keeping our people safe and our customers supplied. We invested £0.9m across our processing sites on employee personal protective equipment, workplace screens, secondary control room constructions, cabin hire for increased employee segregation and cleaning equipment and supplies. We also took the decision to convert our bioethanol plant in order to supply alcohol for use in hand sanitising gel which we issue to all our employees.

Investment in our growers: In the contract package agreed with NFU Sugar for our growers this year and in response to challenges on farm and grower feedback, we included a ground-breaking new virus yellows assurance fund and an innovative futures-linked contract pilot. The virus yellows assurance fund will be introduced from 2021 and will compensate growers for a proportion of yield losses suffered where a grower has virus yellows present in their crop. This is a three-year, £12 million fund underwritten by the Company covering all new and existing contracts. The directors also agreed with the NFU to pilot an innovative futures-linked variable priced contract, giving growers the ability to make their own pricing decisions for a portion of their contract. Growers will have access to the sugar futures market for the first time in the UK in order to decide when to fix the price of beet on their contracts. Together with investment in our new *My British Sugar* digital platform for growers we have put grower feedback at the centre of our decision making.

Conservation of cash: The COVID-19 pandemic and the rapid global spread of the virus around the world had a profound effect on the ABF group when all Primark stores had to close. In response, the directors decided to implement measures to conserve cash, including cutting back on discretionary spend and rephasing non-essential capital expenditure.

By order of the Board



Paul Kenward
Managing Director, British Sugar

23 December 2020