

**BFS Group Limited**  
**Registered Number: 00239718**  
**Year Ended 30<sup>th</sup> June 2021**  
**Corporate Governance**  
**Section 172 statement Companies Act 2006**

The Companies (Miscellaneous Reporting) Regulations 2018 requires BFS Group Limited to publish a statement explaining how the Directors have given due regard for the matters set out in section 172 (1) (a) to (f) of the Companies Act 2006 while performing their duty to promote the success of the Company for the benefit of its members as a whole ("s.172 statement").

The Company has adopted the King IV Governance principles, using the framework to demonstrate how the Board makes decisions for the long term success of the Company and its stakeholders in meeting the requirements of Section 172 of the Companies Act 2006. King IV Governance principles (available at [www.iodsa.co.za/page/kingIV](http://www.iodsa.co.za/page/kingIV)) is a basket of guidelines for governance structures and operation for companies in South Africa, where the Company's ultimate parent is listed on the Johannesburg Stock Exchange.

A gap analysis of existing corporate governance practices in the Company has been completed and compared to: the BidCorp Group responses, the King IV corporate governance standards and the Companies Act 2006 s.172 disclosure requirements. The analysis by the Company concluded that 16 of the 17 Principles of King IV were met in full compliance - with the 17<sup>th</sup> principle not being relevant - as detailed as follows;

*Principle 1: The governing body should lead ethically and effectively.*

The Board exercises effective leadership, adhering to the duties of a director. The directors have the necessary competence and act ethically in discharging their responsibility to provide strategic direction and control of the Company as provided for in the board charter. The key areas reviewed and adopted as being components of the directors' duties are integrity, competence, responsibility, accountability, fairness and transparency and are all measured and controlled by the CEO and reported in meeting minutes and management reporting to Group.

The Board adheres to the Bidcorp Declaration of Interest and Code of Ethics policies based on the Companies Act requirements. The Board acknowledges the declarations made through the Divisional Audit and Risk committee (DARC) and acts on all conflicts of interest.

The Board are required to undertake specific e-learning training which has been identified for their role. This includes Competition Act, Data Protection, Bribery and Health and Safety, in addition a Legal Health and Safety brief is provided on an annual basis.

*Principle 2: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.*

The Board sets out a clear message and leads by example, including: ethical business practice, human rights and being a responsible corporate citizen, through its code of ethics policy which is integrated throughout the business ways of working, ensuring honesty and fairness to all stakeholders, including the 'Care, Share and Dare' Company values in interactions with all employees.

The Board support a whistleblowing tip off line to detect breaches of ethical standards. The Ethics Code and details of the tip off line are published on the Bidfood intranet and a copy is issued to all new employees. All calls are logged and appropriately investigated by the HR & Sustainability Director and where necessary escalated to the Board.

*Principle 3: The governing body should ensure that the organisation is, and is seen to be, a responsible corporate citizen.*

The Board is committed to strategic objectives, and managing the key risks and opportunities related to being a good corporate citizen, in particular regarding sustainability.

The Company is a leading force in engagement and collaboration within the UK wholesale trade to find lasting solutions to the sustainability challenges. The Company has won 29 industry awards for sustainability initiatives and has ISO certification 14001&14064 and The Planet Mark certification.

The Company has signed up to the WRAP Courtauld Commitment 2025, which aims to reduce the resources needed to provide food and drink in the UK by 20% in 10 years. The business has also pledged to Target, Measure and Act on food waste that goes to landfill, not least because once there it decomposes and generates greenhouse gases.

*Principle 4: The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.*

The Board has a five year strategic plan in place which ensures that the business and its stakeholders are all aware of, and are committed to, working to the same goals. In line with Bidcorp standards, the Board ensures and monitors that all targets and business performance are reported and communicated to stakeholders as appropriate. Risks and opportunities are considered by the Risk and Assurance Group (on behalf of the Board) which consists of senior managers and 3 Board members, who review all risks and opportunities across the business on a quarterly basis reporting to the DARC and the Board. This ensures key issues, risks and opportunities are considered by the Board in all key decision making.

*Principle 5 – The board should ensure that reports issued by the Company enable stakeholders to make informed assessments of the company's performance, and its short, medium and long-term prospects.*

The Board reviews extensive management information provided from the Company's systems, together with analysis of that information from the business. The Finance function is responsible for the integrity and accuracy of the financial information, supported by its Information Technology function. Trading and other information is reviewed on a daily, weekly or monthly basis, depending on the nature of the information. Performance against budgets, forecasts and other KPIs is also measured and reported on to the same timescales.

The Board acknowledge and comply with the requests for real-time management information from Group to enable them to report on Group wide activities. The Board fully comply with DARC reporting deadlines and ensures all relevant disclosures are reported to the Group each month and quarter. The Board ensure that all legally required reporting of financial data, sustainability reporting and government taxes and declarations are made on time, with other relevant data being published on the Bidfood UK website.

*Principle 6 – The board should serve as the focal point and custodian of corporate governance in the company.*

The business has established a Corporate Governance Policy booklet to collate key charters, policies and guides on areas of governance procedures being followed across the business. The CEO and CFO confirm adherence each quarter in the Management Representation letter to Group on behalf of the business ensuring full compliance with governance standards.

The Board's key roles include establishing a vision, mission and values (Care, Share & Dare) to guide and set the pace for its current operations and future developments. To ensure the values are promoted throughout the company, whilst reviewing company goals. A 5 year Strategic Plan has been agreed to identify future opportunities, threats and risks in the external environment; and current and future strengths, weaknesses and risks relating to the business. This is communicated to all employees to ensure that the company's organisational structure and capability are appropriate for implementing the chosen strategies.

*Principle 7 – The board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.*

The Board comprises the following members:

- A Selley - CEO
- A Kemp - Group Sales and Marketing Director
- A Brogan - CFO
- S Bender – European FD
- G Cox – Operations Executive
- D Cleasby – Bidcorp Group CFO
- J Gouldie – Supply Chain and Technical Services Director

The Board considers nominations of new directors and considers the skills required against a range of criteria including: background, experience, professional skills, personal qualities and capacity to commit to the Company's activities.

Operational responsibility for day to day running of the business is executed through the divisional leadership team which meets regularly for operational meetings, with a minimum of a quarterly Board meeting chaired by the CEO to consider planning and strategic issues. Oversight of the Board is provided through regular communication with the Group Board and DARC that meets quarterly and which is chaired by a non-executive director.

A divisional leadership team has responsibility for day to day operations to the Board. The divisional leadership team comprises experienced leaders in their respective fields, reporting ultimately to the CEO.

*Principle 8 – The board should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.*

The Board acknowledges the Group process of sub - committees, both their structure, and membership appointed by the Group. The Board has established committees in order to share detailed work and each committee reports back to the Board to advise on any matters of substance. The key committees include: DARC, Risk and Assurance Group, National Accounts Executive, Commercial Strategy Executive, E-commerce Executive, Operational Efficiency Executive and Range Optimisation Committee.

Adequate processes and structures have been implemented to assist the committees in providing oversight and ensuring the integrity of financial reporting, internal control and other governance matters relating to the business are in place.

*Principle 9 – The board should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.*

The Board acknowledge the ongoing reviews that are carried out by the Group Nominations committee of the Chairman and non-executive directors on a regular basis.

The CEO conducts an evaluation of the Boards performance on an ongoing basis, this included discussions both collectively and individually about: the role of the Board, the processes, Company performance, performance of individual directors and continuing professional development.

There is an ongoing informal review of the Board by the CEO and Group CEO. The Board members are subject to annual performance appraisals and key performance targets being agreed.

*Principle 10 – The board should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.*

The CEO was appointed in May 2014 on the recommendation of the nominations committee. The Board reviews and approves the framework for top level delegation of authority and has delegated responsibility for matters relating to the Company and subsidiaries.

The Group General Counsel and Company Secretary was duly appointed by the Board in accordance with the Companies Act 2006. The Board considers the competence, qualifications and experience of the company secretary annually and is satisfied that he is competent and has the appropriate qualifications and experience to serve as the company secretary. The company secretary has a direct channel of communication to the CEO, while maintaining an arm's-length relationship with the Board as far as reasonably possible.

*Principle 11 – The board should govern risk in a way that supports the company in setting and achieving its strategic objectives.*

The Board is directly responsible for the governance of risk management and its direction across the business. This is reaffirmed in the Risk and Assurance Group Charter. The Board has instituted a Risk and Assurance Group (Combined Assurance) to oversee the business risk and assurance structure to ensure risk management is fully embedded across the business operations.

The Risk Assurance Group advise the Board on emergent risks, current risks and the risk appetite of the business, considering the level of risk aversion the Board is prepared to accept. The Risk Assurance Group review and present the Top 25 business risks to the Board and DARC every quarter. To support the board in ensuring effective risk management oversight, the DARC is responsible for ensuring effective monitoring of relevant group top risks. During the COVID-19 pandemic, we created a Covid-19 risk register which was continually updated and reviewed by the Board.

*Principle 12 – The board should govern technology and information in a way that supports the company setting and achieving its strategic objectives.*

The Board is ultimately responsible for the governance for Information Technology (IT), supported by the IT Director and the IT Team who are responsible for the day to day management of IT controls. The IT Team manage all risks in this area and the top risks are reported to the DARC. Internal Audit also review the IT related controls every year and report their findings to the business and DARC. The business acknowledges the Bidcorp IT Framework, which is aligned to all Group risks, third party management and disaster recovery plans. All our major IT projects are aligned to the key strategic objectives of the business agreed, authorised and managed throughout to ensure compliance to all legislation.

*Principle 13 – The board should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the company being ethical and a good corporate citizen.*

The Board is regularly updated on key changes in rules, regulations and law, and delegates compliance with them to the relevant departments within the business. The Board confirms each quarter that they have put in place the necessary processes and tools to ensure that they continuously strive to minimise the negative impact their operations might have on the environment and the communities within which they operate. These efforts are demonstrated through waste management activities, water and energy efficiencies and overall climate change awareness and monitoring.

*Principle 14 – The board should ensure that the company remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.*

The Board recognises that its employees are its greatest asset and ensure that the business remunerates fairly and transparently to ensure that employees are rewarded and motivated to achieve individual targets, whilst retaining and attracting skilled resource in line the business and stakeholder interests.

Executive pay structures are designed to promote sustainable, long-term success. The Company operates a long term incentive plan that is intended to enable the Company to attract and retain high quality senior management while incentivising required behaviours and performance.

The Board are ultimately responsible, although the day to day management is delegated to the People & Sustainability Director, to ensure full legal compliance is maintained, whilst engaging with trade unions and other organisations where required. There is a job grading process which allows external benchmarking of salaries and benefits for job roles and the business participates in industry led market analysis and produces, with actions, a gender pay gap report.

*Principle 15 – The board should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision making and of the company's external reports.*

The Board is responsible for assurance to ensure that an effective control environment is in place. The Board have implemented a combined assurance process which is overseen by the Risk and Assurance Group who report to the Board and support the management reporting to the DARC. The combined assurance approach has been implemented that assists in addressing control over the key risks facing the business. Such risks and their mitigating controls are identified and controlled by management, and the process is monitored and evaluated by the Group Internal Audit team.

An Internal Audit Charter is in place and outlines the responsibilities of the internal audit function and the DARC has been delegated the responsibility for overseeing that assurance services are executed in line with the charter. On an annual basis a risk-based internal audit plan is approved by the DARC, which is based on an assessment of risk areas identified by internal audit, as well as focus areas highlighted by the DARC and

management. Internal Audit team operate independently from the Board; who have the necessary authority, which includes unfettered access to meetings, minutes, documentation and risk registers of the business. Internal Audit's performance is evaluated annually by the DARC and management who confirm that they have the necessary competence and independence.

*Principle 16 – In the execution of its governance role and responsibilities, the board should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the company over time.*

The Company has a number of key stakeholders and the relationship the Company maintains with its stakeholders are critical to the business' success. As such these relationships are continually considered when key decisions are made by the board and, where necessary, the Board may discuss decisions with stakeholders ahead of committing to change.

The success of our business depends on attracting, retaining and motivating employees. From ensuring that we remain a responsible employer, from pay and benefits to our health, safety and workplace environment, the Directors factor in the implications of decisions on employees and the wider workforce, where relevant and feasible.

Activities include:

- Quarterly consultation meetings with Employee Representatives from the operational departments and twice yearly consultation meetings with Employee Representatives from Business Support units;
- Quarterly Health and Safety meetings with our Trade Unions nationally;
- Local Employee Voice meetings held every other month at depots;
- Senior management engagement and monitoring of the Company's defined contribution pension scheme;
- "Your Voice" engagement survey and subsequent action planning.

We are committed to pay equality and diversity in the business and produce an annual Gender Pay Report and associated plans, and have a series of initiatives promoting diversity in the business.

We engage fully and openly with colleagues and their representatives through channels such as consultative committees, joint working parties, briefing groups and collective bargaining agreements with trade unions.

Staff are regularly updated on corporate and individual business unit objectives, trading performance and market conditions through a variety of communication methods.

*Principle 17 – The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote good governance and the creation of value by the companies in which it invests.*

As the Company is not an institutional investor, this principle does not apply to the Company.