BEHAVING RESPONSIBLY FOR OVER 145 YEARS

AG Barr
BUILDING GREAT BRANDS

A.G. BARR p.l.c.
Responsibility Report 2022

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 products that people love and our business has grown as a result. The continued financial strength of our business is important not only to our 895 employees and our shareholders, but also on a broader basis, where our performance positively impacts a wide range of stakeholders, from customers and suppliers to the communities we operate in and the UK economy as a whole.

Our overarching business purpose is to **create value, with values** – for our shareholders, consumers, customers and for society as a whole. Our values include our 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.

Responsible consumption and production
Ensure sustainable consumption and production patterns.

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

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

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

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, 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:

OUR KEY RESPONSIBILITY COMMITMENTS

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
- 2022 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

Reduction in greenhouse gas emissions
- 2025 Goal: 40% reduction from a 2015 base year. This goal has been achieved, with new carbon reduction goals detailed below.

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

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

Recycled PET content
- 2022 Goal: IRN-BRU and Rubicon 100% rPET
- 2023 Goal: Full portfolio 100% rPET

New Goal 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

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.

Key policies

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**.

* Net-zero achievement in accordance with revised Science Based Target Initiative requirements.
** See commentary in Water and Waste section on pages 13 and 14.

Note: Goals above stated in calendar years

Non-Financial KPIs

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

Accident incident rate

8.6

Number of accidents (RIDDOR) per 1,000 people – relative to both our employees and agency workers. Further information is provided in our Safety and wellbeing culture section on pages 5 and 6.

Employee engagement

75%

As measured by our annual "Your Voice Matters" employee survey. Due to the impact of Covid-19, no survey was conducted in 2020/21.

Women in leadership

41%

Number of females defined as leaders/senior managers across Barr Soft Drinks and Funkin business units combined.

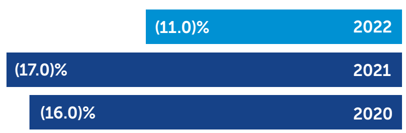
Reduction in greenhouse gas emissions

45.2%

Percentage reduction in total Scope 1 and Scope 2 greenhouse gas emissions. Baseline 2015. Previous long term goal now achieved and replaced with new science-based targets as detailed on page 2.

Improvement in water usage efficiency

(11.0)%



Baseline 2015. Ratio of total water used relative to total litres of product produced. Further information is provided in our Waste and water section on pages 13 and 14. Numbers in brackets indicate reduction in water usage efficiency.

Non-hazardous waste diverted from landfill

100%

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 below, 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. 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 its 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. Anti-bribery and corruption 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 new Supplier Code of Conduct, available on the Group website at **www.agbarr.co.uk**, 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, as set out on page 14 provide assurance when considering human rights impacts beyond our direct control.

We act with integrity

Safety and wellbeing culture

We work hard to create a culture in which 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 safety management activity programme is designed to keep safety at the top of everyone's agenda, with actions ranging from safety awareness initiatives and behavioural safety training, to site audits and reporting.

The safety of our employees remained paramount in another year impacted by the Covid-19 pandemic. We continued to ensure our most vulnerable colleagues were protected, as well as maintaining strong safety controls across our sites to safeguard all of our people, particularly those colleagues working in key production, warehousing and delivery roles who were unable to work from home at any stage during the pandemic.

Having sought the views of our homeworking colleagues on post Covid-19 ways of working, the clear preference was for a blend of homeworking and office/field working and, as such, we are now trialling hybrid working for a 12-month period.

Since partnering with Mental Health UK as our employee-chosen charity in 2019, there has been 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 54 Mental Health First Aiders across the business, specially trained to be there for those who need them, and Mentally Healthy Workplace training is now being undertaken by all employees.

We have continued to review our workplace activities and are focused on reducing risk through the implementation of suitable control measures. Positively, our lost time accident incident rate has decreased during the year with a significant reduction in minor non lost time injuries with a corresponding high number of safety conversations taking place. Unfortunately, we did sustain a number of lost time accidents, the majority of which were associated with manual handling operations. We continue to partner with manual handling specialists who have developed a tailored programme of training, video productions and coaching resources to help encourage all team members to operate safely.

In focus
Important accreditations

We are delighted to have now successfully achieved ISO 45001 certification following a review of our health and safety management system along with a programme of robust internal audits.

The feedback from the audits was extremely positive around senior management commitment, employee engagement, good local health and safety practice, as well as robust hierarchy of controls and accident reporting and management systems. This important accreditation is a pleasing validation of the hard work that is ongoing to improve our health and safety processes, standards and culture.

In addition, following a thorough and independent audit of our Cumbernauld, Milton Keynes and Forfar manufacturing facilities, we were delighted to retain our British Retail Consortium (BRC) AA rating. The BRC accreditation programme provides a framework to assess and manage product safety, integrity, legality and quality, as well as the operational controls within food and drink manufacturing and processing. Recognised by supermarkets and large organisations worldwide, an AA certification is the highest possible rating for a BRC planned audit and independently confirms that high food safety standards are in place.

Additional health and safety initiatives 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 training
- Provision of IOSH Working and Managing Safely courses across our supply chain operations
- Implementation of Rackeye, racking impact monitoring system, within our warehouses. This has helped improve operator awareness and reduce racking impact
- Introduction of a new managed service for Display Screen Equipment assessments, including for our home and field-based employees
- Two-way communication via health and safety committees and representatives across all business areas

Our accident incident rate KPI, as detailed in our non-financial KPIs on page 3, 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 are continuing to work with the Keil Centre, chartered psychologists and ergonomists with significant safety-related experience, carrying out follow-up workshops across our supply chain operations to reassess our health and safety cultural maturity. In addition to the assessments with Keil, we conduct annual health and safety surveys to help ensure we are on course with our improvement plans. Previous assessments have resulted in a comprehensive safety improvement programme with a range of interventions identified across our teams to drive improved safety-related behaviours, awareness and decision making.

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

Employee engagement

A.G. Barr has a positive, results-driven and supportive culture, developed over many years. We believe that our culture is unique and makes A.G. Barr a great place to work. We want to ensure that the essence of what it means to work at A.G. Barr is valued and nurtured. Underpinning everything that we do is our belief in performance through people – a positive and engaged team is central to our success.

Over the past 12 months the working practices established in 2020 by and large continued unchanged, with many employees working from home for the majority of the year and our essential workers in our factories, warehouses and logistics operations continuing to work with Covid-19 safety measures in place.

With government guidance changing regularly, and often differing from one part of the UK to another, communication was key. We worked hard to update our teams quickly and clearly, ensuring that we articulated what government communications meant on a practical basis within our business. We also kept our communications positive and engaging, mindful of the need to support our people through difficult times and maintain a sense of fun and involvement.

In focus

Forfar sets the safety standard

Our Forfar site achieved a very significant milestone in January 2022 – three years with zero lost time accidents.

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

Safety is the first topic of the day at Forfar, with each shift starting with a safety moment, and a recent refresh of all the site's safe operating procedures has raised safety awareness even further and played a valuable part in this achievement.

We act with integrity continued

Employee values

The employee values across Barr Soft Drinks are embodied by our **Barr Behaviours** – a simple behavioural framework central to who we are and how we operate. These behaviours are at the heart and soul of Barr Soft Drinks and support how we work together to enhance performance. Whether recruiting new employees or developing our existing teams, our Barr Behaviours are core to our thinking and ensure we are all focused on our performance potential. Our behaviours centre on four main areas:

- **Being Brilliant** – striving to be the best "Barr" none, by always looking to the future and seeking to improve
- **Always Learning** – valuing feedback and taking responsibility for our development
- **Results Driven** – achieving high personal, team and business performance against clear objectives
- **Relationships Matter** – building strong relationships with colleagues, customers and consumers

Funkin's **EPIC** employee values centre on:

- the **Entrepreneurial** spirit that started Funkin and remains critical to the future success of the business
- the **People** with a passion for the Funkin brand, a sense of independence and the feeling that everyone matters and everyone can make a difference
- **Innovation** – constantly looking for new ways to deliver innovative solutions for our customers and consumers
- **Collaboration** – not only with our customers but also internally and with our partners

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 results, 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 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.

Over the past 12 months we have continued to offer as many learning opportunities as possible to our people, despite some of the challenges associated with the pandemic – whether our online Manager Essentials programme, our successful NVQ candidates at our Milton Keynes site or our ever popular Sales Academy – learning and development remains an important part of our culture.

In focus
Wellbeing at Work

Our Wellbeing Hub is a portal available to the entire business, containing a wealth of useful information to support health and wellbeing. From webinars on how to manage stress, to details on our Employee Assistance Programme, the hub has proven invaluable to many of our colleagues, particularly in recent times when the pandemic has felt ever present.

While the Wellbeing Hub is a helpful online resource, at times nothing can compare with human contact and a friendly face. We recently participated in Time to Talk Day, with drop in sessions arranged to allow colleagues to take a break from work for 15 minutes and simply chat with colleagues, old or new, about everyday things.

In focus
Your Voice Matters

Our 2021 "Your Voice Matters" employee engagement survey results saw our highest ever response rate, with 88% of our people sharing their views and opinions with us. While down slightly on the prior survey, conducted before the pandemic, our overall employee engagement score was 75%, ahead of the UK FMCG benchmark of 73%.

(Source: Willis Towers Watson)

In focus
A Royal Visit and a Grand Opening

We were delighted to welcome Her Majesty The Queen and The Duke of Cambridge, Earl of Strathearn, to our Cumbernauld facility in June 2021. Her Majesty officially opened our new £13m process facility and both royal visitors spent time meeting employees and local schoolchildren.

The Royal visit also took place in the Cumbernauld site's 25th anniversary year, which saw a team of employees affectionately known as the "BRU CRU" organise a wide range of celebratory and fun employee engagement activities to mark the site's silver anniversary.

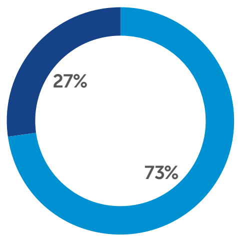
Diversity and inclusion

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 and positive 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 70% men and 30% women, broadly indicative of our industry. On our journey towards greater gender equality in 2020 we set a new KPI related to women in leadership, targeting 45% women across the leadership population by 2025. We are encouraged to see progress in our journey, with 41% senior female representation across the business at the year end, up from 29% in April 2017, and a year-on-year improvement on 39% in 2020/21.

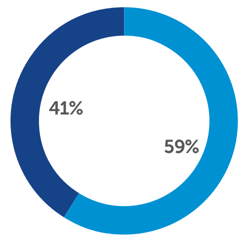
Gender Diversity 2022

Board & Company Secretary



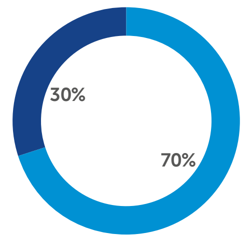
	2021	**2022**
Male	7	**8**
Female	3	**3**

Leadership Team



	2021	**2022**
Male	54	**54**
Female	34	**38**

All employees



	2021	**2022**
Male	610	**625**
Female	251	**270**

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

Mean Gender Pay Gap	Median Gender Pay Gap	Mean Bonus Pay Gap	Median Bonus Pay Gap
3.0%	**2.7%**	**42.2%**	**0%**
2020: 0.7%	2020: -1.1%	2020: 34.6%	2020: -15%

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

We act with integrity continued

The mean gender pay gap is the difference in the average hourly pay for women compared with men, within a company. In 2021 our mean gender pay gap widened slightly due to 2020 data being impacted by the pandemic, excluding those on furlough or with reduced pay. Overall, we have narrowed our gap from 4.1% in 2018 to 3.0% in 2021.

In common with many businesses, our bonus scheme payment thresholds are linked to business performance and generally increase with seniority. Our mean bonus gap, which is 42.2% in favour of men, is influenced by the higher proportion of men in more senior roles. Our median bonus gap is 0%. There is therefore no difference in median bonus between men and women.

% employees receiving a bonus payment

Male	Female
84%	82%
2020: 74.1%	2020: 70.8%

Over 80% of employees received bonus payments in 2021, reflecting the financial performance in what was an extremely unusual and challenging year. In 2020, there was a circa four percentage point difference in the percentage of men receiving a bonus in comparison with women. Positively, in 2021, this narrowed to a two percentage point difference.

With regard to closing the gender pay gap in particular we know this will take time, however we believe we are taking positive steps to support improvement in this area as shown in our longer-term results. These show that our mean gender pay gap has reduced from 12% in 2017 to 3% in this year's report.

As part of our commitment to creating a more inclusive culture, we continue to evolve our diversity and inclusion (D&I) approach by listening to our employees, running employee focus groups and using this valuable feedback to develop plans tailored to our business and our people. Across 2021, despite the challenges of the Covid-19 pandemic, we have made progress in the delivery of this plan across our three key focus areas:

- Gender Diversity in Recruitment and Development
- Flexible Working
- Gender Diversity in Leadership

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

We look forward to delivering further improvements in 2022 and will continue to work on creating an environment that is inclusive, where people feel they can be themselves at work and where their opinions count.

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. Every employee receives 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 all employees.

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

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, 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 all employees to complete the following five mandatory training modules:

- Introduction to Risk
- Data Protection
- Competition, Pricing and Confidentiality
- Bribery and Corruption
- Tax Evasion

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 general reduction of our environmental impacts on 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.

We have already exceeded our previously set greenhouse gas emission target of a 40% reduction based on a 2015 baseline, supported by a variety of decarbonisation initiatives, such as our move to 100% renewable electricity at all our sites. Further details on both our energy emissions and our energy efficiency actions and savings during the past 12 months are provided in our Streamlined Energy & Carbon Reporting (SECR) section on pages 15 and 16.

In 2021, working with independent sustainability experts The Carbon Trust, we undertook a thorough assessment of our 2020/21 Scope 1, 2 and 3 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 the point we deliver to customers. This important data has allowed us to accurately measure and verify our full carbon footprint for the first time.

Our 2020 greenhouse gas emissions

12% Ingredients

57% Packaging

6% Equipment & Services

4% Manufacturing

17.5% Transport

2% In-Shop Refrigeration

1% Waste Management

0.5% Staff Commuting & Travel

Total Emissions: 154,602 tonnes CO_2

Where our emissions come from

SCOPE 1
Direct emissions from activities we control
4%
5,434 tonnes CO_2e

SCOPE 2
Location-based. Indirect emissions from purchased energy
1%
1,888 tonnes CO_2e

SCOPE 3
All other emissions from sources we don't control
95%
147,280 tonnes CO_2e

Note: The graphics show our 2020/21 Scope 1, 2 (market-based) and Scope 3 emissions data. Our SECR section on pages 15 and 16 also provides 2021/22 Scope 1 and 2 data.

We respect the environment continued

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.

Last year we communicated our ambition to be net- zero by 2040, if not sooner, however we also made it clear that as a business that prides itself on acting with integrity we would only confirm our net-zero commitment as and when we had a robust and deliverable plan in place.

In October 2021, just ahead of the COP 26 Conference, the SBTi published a new and more stringent Net-Zero Standard, which for the first time quantified the long-term carbon reductions that organisations must now deliver to become truly net-zero. Prior to this new standard, the SBTi only required organisations to set near-term targets, meaning organisations could make long-term net-zero commitments inclusive of material amounts of carbon offsetting.

The SBTi's new Net-Zero Standard now requires a minimum 90% carbon reduction across 90% of Scope 3 emissions before any offsetting of residual emissions can be taken into account. This new standard significantly increases the level of true decarbonisation required across organisations' full supply chains.

"The number of businesses committing to reach net-zero emissions has grown rapidly, but not all net-zero targets are equal. Without adhering to a common definition, net-zero targets can be inconsistent, and their collective impact is strongly limited. While the growing interest in net-zero targets represents an unparalleled opportunity to drive corporate climate action, it has also created a pressing need for a common understanding of "net-zero" in a corporate context. Business leaders need a robust, science-based framework for setting net-zero targets. Otherwise, they risk continuing to invest in business models that are inconsistent with the goals of the Paris Agreement.

Through a transparent multi-stakeholder process, the Science Based Targets initiative (SBTi) has developed the first global science-based standard for companies to set net-zero targets. The Net-Zero Standard gives business leaders confidence that their near-term and long-term targets are aligned with what is needed to contribute to a habitable planet, and it provides clarity on business climate action to a wide range of stakeholders.

Through the SBTi, companies can commit to net-zero, which includes setting validated near-term and long-term science-based targets consistent with limiting temperature rise to 1.5°C, to become distinguished as climate leaders and drive forward the global transition to net-zero."

Source: SBTi Net-Zero Standard – October 2021

In focus

The Road to Electric

Electric vehicles will play a big part in our journey towards net-zero with progress in this important area already being made:

- 70 LPG-powered forklift trucks now replaced by a fully electric forklift fleet using a combination of lithium-ion technology and conventional battery-powered vehicles
- new Company Car Policy allowing only hybrid and electric cars, and a long-term plan to reduce the size of this greener fleet to essential users only
- electric vehicle charging points have now been installed at all our main sites

We are pleased to report that following our full carbon footprint assessment, and aligned to the SBTi's significantly more challenging updated Net-Zero Standard, we have now set clear science-based carbon reduction targets*, as detailed on page 2, that will underpin our decarbonisation plans and our net-zero commitments.

We have now accelerated our carbon reduction programme across our Scope 1 and 2 emissions and are committing to be net-zero across our own operations by 2035. 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 indirect Scope 3 emissions, including purchased goods and services as well as upstream and downstream transport and distribution, we are working closely with our suppliers and partners with a commitment to become net-zero across our full supply chain by 2050, if not sooner.

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 business and our Barr Soft Drinks and Funkin business units are working together and jointly committed to increase our sustainability and reduce our environmental impact. Further information is available on pages 16 to 22 within our TCFD disclosures.

* Pending SBTi validation

In focus

Green motoring at Moston

Our Moston depot has been playing its part supporting our **"No Time To Waste"** environmental sustainability programme by switching nine of its delivery trucks from diesel to Hydrotreated Vegetable Oil (HVO) fuel for a six-month trial period.

HVO is a paraffinic bio-based liquid fuel made from various kinds of vegetable oils such as rapeseed, sunflower and soybean.

It has a less pungent smell than diesel and when used in HGV vehicles it has a range of benefits including the reduction of CO_2 emissions and other gases.

We respect the environment continued

Packaging

We believe that packaging should be treated by all as a valuable resource and recycled, not discarded as litter. 100% of our soft drinks packaging is recyclable, with clear on-pack recycling messages. In addition, we continually seek to reduce the amount of packaging we use and have made significant achievements in this area. We use 20% less material in our plastic bottle designs than we did more than a decade ago and we recently removed difficult to recycle polypropylene sleeves from millions of our bottles.

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, reused and recycled.

Reducing the footprint of our packaging will be a critical part of our journey to reach net-zero with some of the progress we have made in 2021 detailed below:

- With the planning and preparation we undertook in 2021, we're on track to have all IRN-BRU and Rubicon in bottles made from 100% recycled plastic in 2022, with the rest of the portfolio following suit in 2023
- We were one of the first businesses in the UK to introduce 100% recyclable packaging film made from 100% recycled content, which is now on all our consumer multipacks
- We've light-weighted the shrink wrap used in our factories, which has removed 75 tonnes of plastic on an annual basis
- Our 1 litre soft drinks cartons now contain plant-based plastic. This more sustainable material significantly reduces the carton's carbon footprint, and packs now carry the Carbon Trust logo as a result

As a founder member of Circularity Scotland Limited (CSL), the new not-for-profit administrator of Scotland's Deposit Return Scheme (DRS), we're committed to creating a truly circular system for drinks containers. DRS in Scotland is due to be implemented in August 2023 and we are now in an important planning and preparation 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%. In addition, the quality of recycled material available from a DRS system is expected to be much higher than the quality produced by current household recycling. We believe this will vastly improve the availability of recycled material to go back into our drinks containers.

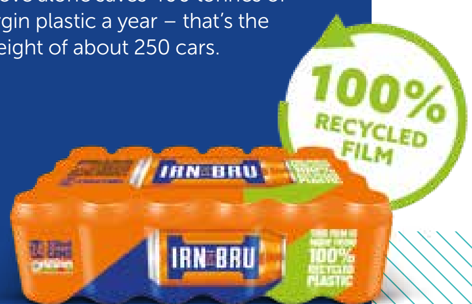
Water and waste

As a drinks manufacturer, water is a principal ingredient and as such we understand how valuable it is as a resource. However, 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.

The principles we apply to our packaging reduction programmes equally apply to our approach to good water stewardship – each is about reducing, reusing and recycling. We understand that there are steps we can take to be better stewards of the water we use. Beyond the water in our products, a large part of our water consumption is in cleaning our process lines and manufacturing equipment, to ensure our products

In focus
Leading the Way

We're one of the first businesses to introduce 100% recyclable packaging film made from 100% recycled content, which is now used in all our consumer multipacks. This move alone saves 400 tonnes of virgin plastic a year – that's the weight of about 250 cars.



In focus
Clear future for Simply Fruity

A new pack format for Simply Fruity sees harder to recycle coloured plastic bottles replaced with a clear bottle made from 50% recycled material along with delicious new recipes – and all wrapped in 100% recycled film. This is a step change for the brand and another clear demonstration of our drive for more sustainable packaging to play our part in addressing climate change.

meet our rigorous quality standards. We also know that the most significant water use in our value chain is in agriculture, where the crops that we rely on for many of our products – such as mangoes – are grown in hot, potentially water-stressed areas. By understanding our water footprint, we can take action to encourage change close to home – and further afield with our global suppliers.

In 2021 we undertook more detailed analysis of our water footprint at all our production sites. By working with an independent agency to carry out a thorough audit across our manufacturing sites, we now have a better understanding of how and where we use water, and can now take a more evidence-based approach to our water reduction and reuse plans in the coming year.

The results of that work have allowed us to develop a water strategy for the business, with clear targets and an action plan of water efficiency improvement initiatives to deliver over the next three years. Our water management plan also allows us to take a risk-based approach to the management of our suppliers, with emphasis on the impact of our global supply chain on water-stressed areas. Ultimate responsibility for the review and delivery of this water strategy sits with our CEO, as water is a key pillar of our **"No Time To Waste"** environmental sustainability programme.

While there was a modest year-on-year improvement in our water usage efficiency, our KPI in this area has declined and we did not achieve our target. Following our independent water audit and assessment we have reviewed our target for water reduction, based on this validation work. We were pleased to find we are in line with our competitors in terms of our ratio of water used to volumes of product made. We also now have a better understanding of our true water footprint, at a business-wide and local site level. As a result, we have re-calibrated our target, now setting an objective of a 10% reduction in our water use by 2025, against a 2020 baseline.

Once again, we were pleased to achieve our long-term target related to waste. 100% of our non-hazardous waste is now diverted from landfill, and our objective is now 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"** environmental sustainability workstreams, we reviewed and updated our sustainable sourcing strategy in 2021, reinforcing our commitment to supplying high-quality products that are sourced and manufactured in a fair, ethical and environmentally responsible way.

As part of this review we developed a new Supplier Code of Conduct, setting 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.

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. As part of our NTTW Sustainable Sourcing Strategy review, we have now extended our use of the Sedex platform, using 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 will also allow 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 related to net-zero – their Scope 1 and 2 emission reductions will, in turn, support our 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 across both business units, Barr Soft Drinks and Funkin, 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 16 to 22.

We respect the environment continued

Independent assurance

We have continued to work with third-party auditors, the Carbon Trust, across 2021. They have undertaken a carbon audit of our Group operations for Scope 1 and 2 emissions for the year ended January 2022 (verified against the ISO 14064-3 standard), as well as completing a Scope 3 assessment for the year ended January 2021. 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.

During 2021 we were also pleased to improve our climate change questionnaire rating from the Climate Disclosure Project (CDP) to an A- classification. 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.

We also underwent an internal audit review of our environmental sustainability programme conducted by subject matter resource from EY. The report was graded satisfactory with limited recommendations. The report was presented to the Audit and Risk Committee and the recommended actions will be tracked by the Committee.

Streamlined Energy and Carbon Reporting (SECR)

We are reporting against the SECR framework for the second year. We report as a quoted Company and confirm that all the minimum requirements have been addressed and are presented here.

Our total energy consumption for 2021/2022 was 46,281,416 kWh. This includes our electricity, steam, natural gas usage and other thermal fuels 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 2021/2022 were 9,600.19 tCO_2e, as summarised in the table below:

Carbon Emissions (Location-based)*	**2021-22**	2020-21
Scope 1 emissions – (tCO_2e)	**3,847.87**	5,434.40
Scope 2 emissions – purchased electricity (tCO_2e)	**4,752.63**	4,885.53
Scope 2 emissions – purchased steam (tCO_2e)	**999.68**	–
Total Scope 1 & 2 emissions (tCO_2e)	**9,600.19**	10,319.93

* 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 2021/2022 are 4,883.52 tCO_2e, as summarised in the table below:

Carbon Emissions (Market-based)*	**2021-22**	2020-21
Scope 1 emissions – (tCO_2e)	**3,847.87**	5,434.40
Scope 2 emissions – purchased electricity (tCO_2e)	**35.96**	1,887.98
Scope 2 emissions – purchased steam (tCO_2e)	**999.68**	–
Total Scope 1 & 2 emissions (tCO_2e)	**4,883.52**	7,322.38

* The market-based approach accounts for zero carbon renewable electricity purchase (backed by Renewable Energy Guarantees of Origin) at all our facilities, excluding the Funkin and Middlebrook leased sites.

SECR reported figures from our previous Annual Report (year ended 24 January 2021) are also included for comparison. It should be noted that in 2020/2021, natural gas used to produce steam at Cumbernauld accounted for 1,125 tCO_2e of Scope 1 emissions. In 2021/2022, purchased steam provided by a third-party at Cumbernauld is categorised under Scope 2 and accounts for 999.7 tCO_2e.

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 2021.

Intensity ratio

For 2021/2022, our emissions intensity, measured as the total Scope 1 & 2 emissions relative to the thousand litres of product produced is 21.55 kg CO_2e per thousand litres of product produced. This compares with 24.95 kg CO_2e per thousand litres of product produced, as detailed in our previous Annual Report.

Energy efficiency actions

1. We have transitioned our fleet of forklift trucks away from LPG to 100% renewable electricity, resulting in estimated annual CO_2e savings of 300 tonnes (based on 2020 numbers).
2. We have installed electric vehicle charging points at our Cumbernauld and Milton Keynes sites in order to support the transition of employee and Company cars towards electric vehicles.
3. We have started a trial on HVO as an alternative fuel to diesel on our fleet of HGVs at the Moston site.
4. In addition, this is the first full year of procuring REGO-backed renewable electricity across all our operational sites, leading to a significant reduction in Scope 2 emissions (under market-based reporting).

Additional data

Reported emissions (and carbon offsets) (tonnes CO_2e)

of carbon dioxide equivalent in the stated period

	24/01/2021 – 29/01/2022	26/01/2020 – 24/01/2021
Total net emissions	**9600**	10320
Total gross emissions (scope 1 and 2)	**9600**	10320
Total direct and indirect emissions (scope 1 and 2)	**9600**	10320
Total direct (scope 1) emissions	**3848**	5434
Direct emissions (scope 1) stationary combustion	**1839**	3074
Direct emissions(scope 1) mobile combustion	**0.0**	0.0
Direct emissions (scope 1) from transport fuels	**2009**	2304
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**	56.5
Direct emissions (scope 1) from agricultural sources	**0.0**	0.0
Total indirect emissions (scope 2)	**5752**	4886
Indirect emissions (scope 2) from electricity	**4753**	4886
Indirect emissions (scope 2) from purchased steam	**999.7**	0.0
Indirect emissions (scope 2) from purchased heating	**0.0**	0.0
Indirect emissions (scope 2) from purchased cooling	**0.0**	0.0

Energy consumption (kWh)

Kilowatt hour equivalent in the stated period

Energy consumption used to calculate emissions	**46,218,416**	46,493,654
Energy consumption, combustion of gas	**9,129,265**	14,974,793
Energy consumption, electricity	**22,383,215**	20,955,356
Energy consumption, combustion of transport fuel	**8,469,091**	9,084,274
Energy consumption, other (Thermal Fuels)	**107,296**	1,479,230

Intensity ratio

Intensity ratio	**0.022**	0.025

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

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 on pages 16 to 22.

We respect the environment continued

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 and when agreeing future objectives and key performance indicators.

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 target setting and net-zero roadmaps, as well as the approval of our strategic capital investment programme, incorporating greenhouse gas reduction projects.

A new structured process for identifying and quantifying *emerging* risks and opportunities across the Group, similar to our risk management approach, has recently been agreed and is now being implemented. This will provide 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, and will have an important role to play in the Board's strategic planning process.

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. 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.
- The **Nomination Committee** is responsible for Board appointments and succession planning. In 2021 the Nomination Committee approved the appointment of Zoe Howorth as a Non-Executive Director with the additional responsibility of chairing the newly formed Environmental, Social and Governance Committee. Zoe has extensive FMCG experience, specifically across the food and beverage sector, and has a particular interest in the area of climate change, bringing an additional level of rigour and challenge to climate-related discussions.

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"** (NTTW) Steering Group, chaired by our CEO, governs our Group-wide environmental sustainability programme. The NTTW 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 NTTW programme encompasses five key workstreams associated with reducing the effects of climate change – Net-Zero, Plastic & Packaging, Sustainable Sourcing, Waste and Water.

  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.
- A new **Emerging Risks and Opportunities Group** has recently been formed comprised of our CEO, Finance Director, Funkin Executive Chairman, Head of IT/Chair of Barr Soft Drinks Executive Committee and our Head of Group Risk. Both our Barr Soft Drinks and Funkin Executive teams will be responsible for identifying and managing emerging risks and opportunities. This group will conduct an annual review prior to making recommendations to the Board, the output from which will form part of our Board's annual Strategy Review.

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.

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 below along with our strategic responses.

We respect the environment continued

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 below, with the three impacts being:

■□□ Moderate ■■□ Major ■■■ Critical

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 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:
We have dedicated Sustainable Sourcing and Water workstreams within our **"No Time To Waste"** environmental sustainability programme, and have recently approved more ambitious strategies in these areas. 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 The risk of higher costs as a consequence of planned/potential regulation such as a carbon tax, or packaging related regulations/taxes such as the UK Plastic Tax, UK Extended Producer Responsibility (EPR) and the EU Single-Use Plastics Directive.	Long-term	■□□

Strategic response:
As detailed previously in this report, we have set 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.

We are also focused on reducing, reusing and recycling across our packaging. 100% of our 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 consumer multipacks and are making good progress on our commitment to have 100% recycled content across our full portfolio of plastic bottles by 2023.

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.

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.

Risk Type & Description	Timeframe	Potential financial impact

Moderate Major Critical

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

Market risk 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 DRSs, resulting in a reduction in demand for our products or consumers switching to brands perceived as more sustainable.	Medium-term	

Strategic response:
As detailed above, we are positive supporters of the implementation of DRSs, confirmed to launch in Scotland in 2023, and expected to launch in England in 2024 or later. 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.

The delivery of our net-zero roadmaps, and specifically our drive to reduce, reuse and recycle 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 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:
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 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:
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.

We respect the environment continued

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 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.

Historically, the Group Risk Committee has also been responsible for the Group's emerging risk register, with a longer-term horizon than that considered by the departmental units. However, this process is now being replaced by the Emerging Risks and Opportunities Group, as detailed in the Governance section above. The Group Risk Committee will retain oversight of emerging risks going forward.

The recently formed ESG Committee owns, and is responsible for monitoring and updating, our material risks and opportunities related to climate change, as detailed above in the Strategy section. The ESG Committee has been supported by a cross-functional group of senior executives who helped 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 IEA Net-Zero by 2050	**Worst-case climate scenario** IPCC RCP8.5/SSP5
Scenario narrative & context 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. 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. 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** 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. 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. 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 above, however this scenario planning process identified a range of other risks and opportunities.

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 & 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.

Some recent risk management examples related to climate change in particular include:

- Our risk registers cover upstream risks, such as the risk of climate change on material availability. For example, the physical risk that climate change impacts negatively on fruit availability and fruit quality features on our procurement risk register. There have been recent examples of poor weather impacting the availability of fruits such as lychee. The use of the worst-case climate scenario outlined above (RCP 8.5) also highlights a risk that the rise of temperatures and associated more extreme weather patterns in the geographical areas where fruits are grown may impact the availability of raw materials in the future. This risk was rated a 3 for likelihood ("possible": "Event should occur at some time (30-50%)") and as a 3 for impact ("moderate" with a potential impact on turnover/profit estimated between 3-10%). As a result of that assessment, mitigating actions were put in place, including monthly (and sometimes weekly) calls with suppliers to monitor weather patterns and the impact on fruit availability and quality. Alternative supply sources were also considered.
- Our Commercial function and our **"No Time To Waste"** Steering Group review the risks associated with climate-related competitor activities, consumer choices and customer strategies. For example, the risk of soft drink purchasing behaviours changing due to the increasing attention/importance given by consumers to sustainability matters. In response, we carried out a piece of consumer research to understand how different sustainability matters, including climate change, impact purchasing behaviours and what risks and opportunities this represents for our brands and business. The programme of activities linked to increasing the amount of recycled plastic content in our packaging is an important part of our mitigating actions.

Metrics & Targets
A full review of our energy consumption and GHG emissions data can be found on pages 15 and 16 within our SECR disclosure. In addition, we have submitted science-based carbon reduction targets to the Science Based Target Initiative for approval, 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 on page 2 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. Other climate-related targets and key performance indicators are detailed on pages 2 and 3.

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 portfolio and introducing new and innovative reduced sugar products in response to our consumers' changing tastes and preferences for many years.

98% of our 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 will come into force in England from 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. We can confirm that from April 2022, six months ahead of the new regulations, 98% of our soft drinks portfolio will be HFSS exempt.

This 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.

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 soft drinks brands, which is a simple traffic light style scheme, making it even easier for consumers to find the information they need.

We give back

Community engagement
Since 1875, we have always supported and worked closely with the communities in which we operate.

We provide financial, in-kind, practical and employee volunteering support to a wide range of charities, good causes and community groups each year across the UK.

Charity partnership
Our current employee-chosen charity partner, Mental Health UK, brings together four national mental health charities working across the country and provides advice, information and support to those who need it. Our corporate donation of £150K over the three-year partnership is supplemented by employee fundraising from teams across the business who undertake a range of impressive activities in support of this important charity.

Employee volunteering
We encourage employees from across the business to take part in volunteering activities, giving something back to the communities we serve. Our employee volunteering policy allows every employee the opportunity to take paid time off to volunteer with our employee-nominated charity.

In focus

IRN-BRU 32 charity fundraiser

Inspired by the 32 ingredients within our IRN-BRU secret recipe essence, teams across the business took part in our IRN-BRU 32 challenge in June 2021.

Participants had 32 days to complete a feat of their choosing every day and fundraise £32 per person for our charity partner, Mental Health UK.

From running and hula-hooping to wearing the same colour every day, our employees embraced the challenge with their usual enthusiasm. In total, the IRN-BRU 32 challenge raised over £16,000 for Mental Health UK.

BUILDING GREAT BRANDS

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