

BETTYS & TAYLORS GROUP

A GREAT YORKSHIRE FAMILY BUSINESS

Section 172 statement for year ending 31 October 2020

Our business is guided by our Family Shareholders' vision for the business '*working together to build a great Yorkshire Family Business, inspired by our Swiss heritage, creating prosperity and pride by doing what we believe in*' and a set of values called the six Ps: Prosperity, People, Planet, Product, Passion and Process. These principles underpin everything we do, the decisions we make and the way we operate our business.

The Board recognises that building strong and lasting relationships with all our stakeholders will help us to deliver our strategy in line with our values and operate a sustainable business.

The Board has a clear framework for determining its remit and has approved Terms of Reference for Board matters and those delegated to its Committees. Financial and strategic thresholds have been determined to identify subjects requiring Board consideration and approval.

When making decisions, each director of Bettys & Taylors Group gives consideration to what would most likely promote the success of the Group for the benefit of its members and, in doing so, gives regard (amongst others) to the following matters:

The likely consequences of any decision in the long-term

The Group's culture is focused upon achieving success in the long-term, working in a way that benefits all our stakeholders. The directors ensure that the Group's business strategy, governance framework, management information flows and stakeholder engagement processes, reflect the long-term impact of decisions they make.

The directors are supported in the discharge of their duties by:

- relevant training to further their understanding of their duties and obligations under applicable law and regulation;
- processes to ensure the provision of timely management information to the Board from the Group's business areas, its risk and control functions, support teams and committees of the Board; and
- agenda planning for Board and Committee meetings to provide sufficient time for the consideration and discussion of key matters.

The interests of the Group's employees

The directors recognise that our employees are key to the success of our business, contributing to a positive culture and working environment.

The success of our business depends on attracting, retaining and motivating employees. We ensure that we remain a responsible employer, from pay and benefits to our health, safety and workplace environment, and that the directors

factor in the implications of decisions on employees and the wider workforce.

The Board places considerable value on the engagement of our people in the performance of the Group, and progress against our strategy. This is usually achieved through monthly briefing meetings for all employees, the use of regular listening groups, the monthly 'Rascal' staff newsletter, our Annual Review and an annual Forum.

However, with the impact of Covid-19, the business, supported by the Board, has changed its approach to people engagement to reflect the change in working environment for many of our staff including weekly Collaborative CEO communication updates to the business, the introduction of a direct text service to share important information effectively with all employees and the development of a communications portal, Exchange, enabling our staff to access communications and support via an app, wherever they are working.

The Board is apprised of measures put in place to support mental as well as physical wellbeing. In addition to reviewing the findings of the annual staff survey, the Board was also briefed on the wellbeing survey undertaken this year to understand the impact of Covid-19 on our employees.

The Board was actively involved in the decision to pay all staff their full salary when parts of the business were closed, without relying on public funds such as the Coronavirus Job Retention Scheme.

The need to foster the Group's business relationships with suppliers, customers, and others

Suppliers

Bettys & Taylors has a value network that spans the globe, from local Yorkshire farmers to the overseas estates and small holdings that provide the tea and coffee for our blends. The Board recognises that our suppliers are some of our most important stakeholders and the business is committed to strong, long-term ethical relationships based on quality and fair terms of trade.

Our approach to sourcing is based on collaboration. The directors place a huge importance upon the business working in close partnership with our suppliers to develop contracts, improve quality and find solutions to the social and environmental challenges that impact the people we source from.

During 2020 we saw a significant disruption to our supply base, however the strength of our sourcing approach meant the business could work directly with our suppliers to understand the impact of the pandemic on people and businesses. In April 2020, with Board support, the business launched five Covid-19 Commitments to our tea and coffee suppliers. These included a commitment to honouring our long-term agreements and contracts, support with payment terms and access to credit if required, and the establishment of a global Emergency Relief Fund to get vital support to our supplier communities where it was most needed.

The directors recognise the role that transparency can play in helping create more resilient and sustainable value chains and networks. Being open about where and how we source helps the Board to work together with the business constructively and positively, to drive progress towards the standards it seeks.

The impact of climate change is one of the major threats that farmers face and the business works with our suppliers to protect the natural environment. Over the last five years, the Board has supported projects that deliver benefits to people in our supply chain, for example in tea and coffee growing communities, including the planting of over 1.5 million trees in Kenya. These projects have contributed to the business achieving CarbonNeutral® certification for all

our operations in 2020, following the CarbonNeutral® certification of our tea and coffee range in 2019.

While commodities form the backbone of our business, the directors support the business' commitment to local sourcing wherever possible and tapping into the rich food and farming heritage on our doorstep.

Customers

The directors recognise the critical importance of our consumers, customers and distributors and receive regular briefing on their feedback, as well as analysis of any complaints.

During lockdown, many customers moved to online purchasing and the Board supported the strategic decision to invest in this area of the business, including the redeployment of staff to facilitate this.

Our Sales and Commercial team build relationships with current and potential clients and distributors to understand and ensure that we meet customers' needs through product design and development, whilst ensuring availability of products. The business monitors consumer perception of its brand and quality of its products through regular market research, which is shared with the Board. During 2020, the Board supported the business in its decision to increase stock levels to ensure we were able to maintain continuity of supply for our customers throughout the uncertainty of the Covid-19 pandemic.

Social media plays a significant role in communicating to and with our consumers. It enables us to promote new products within Taylors (e.g. speciality Yorkshire Tea brews) and Bettys (e.g. new afternoon tea menus) but also share information about the business. In 2020, we increasingly received valuable feedback through all our social media channels.

Shareholders

The Board ensures that there are robust structures and processes in place, and regular opportunities for meaningful engagement with the owners of the business. Areas of discussion include the business's strategy (our Future Picture) and significant operational issues. During 2020, engagement and consultation with Shareholders increased in regularity to inform, advise and take views, as appropriate, regarding business decisions taken in response to the impact of Covid-19.

The impact of the Group's operations on the community and the environment

Community

Bettys & Taylors Group is committed to supporting communities in the Yorkshire region in which we are based, and in our global supply chain. We depend upon resilient communities for our employees, customers and suppliers, both present and future. We have a broad programme of activities to support local and global initiatives, which have a positive and sustainable impact on people and communities.

Community investment in the UK

In 2020, Bettys & Taylors Group contributed £350,415*, both financial and in kind, to community activities in the UK. These funds supported tree planting activities in the Yorkshire Dales and environmental education with schools thanks to our long-term Trees for Life campaign. It also supported our community recycling project, the Cone Exchange; and marketing activities that deliver community benefits such as a partnership with cricketing charity, Chance to Shine.

During 2020, with charities and organisations under huge pressure, the Board supported a £110,000 donation to our regional Yorkshire Coronavirus Community Fund (managed by the Two Ridings Foundation) for the provision of grants to organisations working in our local area to provide food for families and support to vulnerable people. Over and above this, the business leveraged and donated a further £95,595 thanks to staff fundraising, Cone Exchange sales and Trees for Life fundraising activity with customers. The Group also donated significant quantities of tea and coffee to 22 FareShare centres, 17 Yorkshire Food Banks in our region and also NHS workers.

**Measured in accordance with the London Benchmarking Framework and excluding management costs.*

Investment in the sustainability of our overseas supply chain

Bettys & Taylors Group is committed to working with suppliers, the wider industry and other stakeholders, to improve social standards and environmental and community resilience within our global tea and coffee supply base. In 2020, the Group invested £1,423,075 into livelihood, social and environmental initiatives in tea and coffee growing communities.

Charitable donations

During 2020, charitable donations of £133,690 (2019: £87,000) were awarded to Yorkshire-based charities and community groups through our Good Cause Award programme.

Environment

With much of our business dependent upon internationally sourced commodities, it is essential that our environmental approach spans the globe. In our tea and coffee supply chain, the business works with certification partners, such as the Rainforest Alliance, to help improve environmental standards, promoting recycling to the local community, as well as our 30-year passion for planting trees. At an industry level and with Board support, the business is championing climate change adaptation techniques, ensuring farmers are better placed to face the effects of global warming.

In 2018, the business signed up to the UK Plastics Pact with a commitment to eliminate unnecessary plastic; increase the use of recycled plastic; and make all plastic packaging reusable, recyclable or compostable by 2025. In 2020, the business began the switch from oil-based plastic sealant in our teabags to plant-based biodegradable polylactic acid and this work is due for completion by August 2021. The Board is regularly kept apprised of progress.

The desirability of the Group maintaining a reputation for high standards of business conduct

The Board ensures that the Collaborative CEO operates the business in a responsible manner, acting with high standards of business conduct. An example of this was the decision taken by the directors, following a review of business performance, to repay £1.175m of UK Government funds received as part of the Coronavirus Job Retention Scheme.

The Board promotes a culture of upholding the highest standards of business and regulatory conduct, communicating these to the Group's employees which is embedded in the Group's policies and procedures, employee induction and training programmes and our risk control and oversight framework.

Each year the Board reviews and approves documents such as its Modern Slavery Statement and Gender Pay report, to ensure high standards are maintained in our businesses and our business relationships. This, complemented by the ways the Board is informed and monitors compliance with relevant governance standards, helps ensure the Board and the business act in ways that promote high standards of conduct.

The business has an internal control framework that identifies both emerging and established internal and external risk factors which are regularly monitored and reviewed by the business and the Board and are recorded in a risk management system.

The need to act fairly as between members of the Group

After weighing up all relevant factors, the directors consider which course of action best enables delivery of our strategy for the long-term, taking into consideration the impact on stakeholders. In doing so, our directors act fairly as between the Group's members.

In 2020, the Board ensured that the business responded to the Covid-19 pandemic in a way that considered the needs of all of its stakeholders. In particular, recognising the importance of providing immediate support to all of the communities in which the business operates, to maintain resilient and sustainable networks that will continue to underpin the delivery of our long-term strategy.