

CORPORATE GOVERNANCE REPORT



Tim Jones
Non-Executive Chair

BOARD MEMBERS*

- Tim Jones**
Non-Executive Chair
- David White**
Chief Executive Officer
- Martin Rowland**
Executive Director of Transformation
- Ian Wood**
Non-Executive Director and
Employee Engagement
Representative
- Shelagh Hancock**
Non-Executive Director
- Stuart Lorimer**
Non-Executive Director
- Gillian Watson**
Non-Executive Director and Senior
Independent Director

*As at the date of this report

CHAIR’S INTRODUCTION

I am pleased to present the Corporate Governance Report for the year ended 2 September 2023 on behalf of the Board.

This report sets out our approach to governance and describes how Carr's Group plc adopts the UK Corporate Governance Code 2018 (the "Code"). In preparation, the Board considered each principle of the Code to review how it is applied and how it relates directly to the Group. Information about the Board and Board Committees and how we engage with our stakeholders can be found on the following pages.

FY23 Overview

This has been a busy year for the Group. There have been changes to the Board and the composition of Committees. We have engaged with shareholders on a number of topics, and have faced the challenges of an audit delay to the completion of the FY22 year-end process.

During periods of change, it is key that the Board remains committed to maintaining good governance. It is central to the integrity, reputation and performance of the Group and we will continue to operate in an open and transparent manner with all of our stakeholders.

Board changes

Changes in the Board composition are detailed in full in the Nomination Committee Report on pages 67 to 71 (inclusive).

My appointment as Non-Executive Chair took effect on 21 February 2023 and, following the Company's General Meeting on 2 May 2023, I took over as Nomination Committee Chair and became a member of the Remuneration Committee. Upon my appointment, Peter Page stepped down as Executive Chair and took the role of Chief Executive Officer. As announced on 13 November 2023, Peter stepped down from the Board and left the Group on 17 November 2023. On behalf of the Board, we thank Peter for his significant contribution and wish him every success.

David White joined the Board as Chief Financial Officer from 21 February 2023, taking over from Neil Austin who left the Group in February 2023 to take up a new role. As announced on 13 November 2023, David White was appointed by the Board as Chief Executive Officer with effect from 17 November 2023. David has been succeeded in the role of Chief Financial Officer by Gavin Manson with effect from 13 November 2023. Gavin is not a member of the Board but will attend Board meetings by invitation.

In line with the Board's Non-Executive Director succession plan, Shelagh Hancock and Stuart Lorimer were appointed as Non-Executive Directors from 1 September 2022. Shelagh and Stuart are also members of each of the Audit, Remuneration and Nomination Committees, with Stuart also acting as Audit Committee Chair, taking over from John Worby following the General Meeting of the Company on 2 May 2023.

John Worby stood down from the Board on 31 October 2023, and leaves with our grateful thanks for all the support and wisdom he has provided during almost nine years at Carr's.

Martin Rowland was appointed as a Non-Executive Director of the Company on 6 March 2023. Martin is appointed as a representative of Harwood Capital Management Limited ("Harwood") pursuant to a relationship agreement between the Company and Harwood. Martin was appointed Executive Director of Transformation with effect from 13 November 2023.

We start the new financial year welcoming Gillian Watson to the Board. Gillian joined as Non-Executive Director on 9 October 2023 and is a member of the Nomination, Audit and Remuneration Committees. Gillian has also taken over the role of Senior Independent Director from John Worby.

After seven years at Carr's, Company Secretary and Legal Director, Matthew Ratcliffe left the Group to take up a new role. Matthew has been central to the Group's governance and has provided expert support and guidance to the Board and Board Committees. I am pleased to welcome Justin Richards as our Company Secretary and Legal Director. We thank Matthew and wish him all the very best of luck in his new role.

FY22 year-end process

In November 2022 a delay was announced to the completion of the year end process that had several consequences including a temporary suspension of trading in the Company's Ordinary Shares and the delayed release of the audited results and FY22 Annual Report, along with payment of the final dividend later than usual.

Completion of the disposal of the Agricultural Supplies division

On 26 October 2022, we completed the disposal of all interests in the Agricultural Supplies division through a sale to Edward Billington and Son Limited, the division's joint owner. The disposal has meant that the Board has focussed on the organic growth opportunities for the Speciality Agriculture division and optimising opportunities for the Engineering division through focusing on the unique strengths and qualities of the current businesses.

Employee engagement

Ian Wood continues as the Board's Employee Engagement representative, with responsibility for reporting on employee-related matters to the Board and ensuring that employee interests are properly considered in Board decision-making. Details of employee engagement throughout FY23 can be found on pages 26 and 27 and on pages 62 to 66 (inclusive).

Sustainability

Focus on sustainability has been important during the year. We have a new Environmental Steering Group, chaired by our CEO and reporting into the Board, and newly formed Green Teams at each of our sites, ensuring that sustainability is considered at all levels throughout the Group. Details can be found in the Responsible Business Report and the TCFD Disclosures on pages 25 to 44 (inclusive).

Board evaluation

Board effectiveness reviews take place annually, with every third review being facilitated by an external provider. Internal reviews facilitated by the Company Secretary on behalf of the Chair are carried out in between external reviews.

In August 2023 we undertook an internal effectiveness review. The findings were presented to the Board and were the subject of detailed and constructive discussion. Details of that process and its outcomes are set out in this Corporate Governance Report on pages 58 to 60 (inclusive). An external effectiveness review was completed in 2021, and we intend to externally facilitate next year's Board review.



Tim Jones
Non-Executive Chair
20 December 2023

THE BOARD



Tim Jones

Non-Executive Chair

Tim is an FCA approved person, a member of the Chartered Institute of Securities and Investments and an Associate of the Chartered Insurance Institute.

Term of Office

Tim Jones was appointed to the Board as Non-Executive Chair on 21 February 2023.

External Appointments

Tim served as Non-Executive Chair of Treatt plc between 2012 and January 2023, and remains Chair of Allia Charitable Group, SP-Logistics Holdings Limited, Chair of Allia C&C Impact and ESG Capital and a Non-Executive Director of RCB Bonds plc.

Committee Memberships

- Nomination Committee – Chair
- Remuneration Committee



David White

Chief Executive Officer

David is a Chartered Accountant having qualified in London in 1997 and spent time at Ernst & Young. David joined the Company from Aggreko plc where he held a variety of senior roles, most recently as Finance Director of the Global Products and Technology division.

Term of Office

David White was appointed to the Board as an Executive Director in the role of Chief Financial Officer on 21 February 2023, and was appointed as Chief Executive Officer with effect from 17 November 2023.

External Appointments

None.

Committee Memberships

None.



Martin Rowland

Executive Director of Transformation

Martin is a representative of Harwood Capital Management Limited ("Harwood") and was appointed to the Board on 6 March 2023 as a Non-Executive Director pursuant to a relationship agreement between the Company and Harwood. Martin was appointed as Executive Director of Transformation with effect from 13 November 2023. Martin has spent the last 14 years in a variety of investment roles and prior to this held operational and strategic roles in mid and large-scale corporates. He has been a director of companies in an executive and non-executive capacity, helping businesses to scale organically and through acquisition.

Term of Office

Martin was appointed a Non-Executive Director on 6 March 2023, and was appointed as Executive Director of Transformation with effect from 13 November 2023.

External Appointments

Martin is currently Non-Executive Chair of AIM-listed Smoove plc

Committee Memberships

None.



Ian Wood

Non-Executive Director

Employee Engagement Representative

Ian retired as the Commercial Director, International Business Development for Centrica (previously British Gas) in January 2016 having held several positions with the company, covering various aspects of the business including engineering, customer services, industrial and commercial marketing, and energy trading within the UK, Continental Europe and North America.

Term of Office

Ian was appointed to the Board in October 2015.

External Appointments

In addition to his work for the Group, Ian is currently a Director of Talkin Energy Ltd and a Non-Executive Director of Cumbria County Holdings Ltd.

Committee Memberships

- Remuneration Committee – Chair
- Audit Committee

Shelagh Hancock

Non-Executive Director

Shelagh brings to this role over 30 years' experience in the food and agricultural supply sectors and, prior to her current role with First Milk, Shelagh held several executive positions across the UK dairy industry, including at Milk Link (formerly Glanbia Foods) and Medina Dairy, having trained as an animal nutritionist.

Term of Office

Shelagh was appointed to the Board as a Non-Executive Director on 1 September 2022.

External Appointments

Shelagh is currently Chief Executive Officer at First Milk, the British farmer-owned dairy co-operative, where she is highly respected for delivering significant growth in member returns since being appointed in 2017.

Committee Memberships

- Remuneration Committee
- Nomination Committee
- Audit Committee

Stuart Lorimer

Non-Executive Director

Stuart is a qualified accountant and began his career at KPMG. Prior to his current role with AG Barr plc, Stuart was with Diageo plc for 22 years in various senior roles working across Europe, the USA and Asia, ultimately as Finance Director for Diageo's Global Supply Operation. Stuart brings strong finance expertise together with a wealth of experience in supply chain operations, logistics and business optimisation.

Term of Office

Stuart was appointed a Non-Executive Director and joined the Board on 1 September 2022.

External Appointments

He is currently Finance Director at AG Barr plc, the FTSE-listed soft drinks brand owner, a role which he has held since 2015.

Committee Memberships

- Audit Committee – Chair
- Remuneration Committee
- Nomination Committee

Gillian Watson

Non-Executive Director

Senior Independent Director

Gillian has more than 30 years' executive and non-executive experience across a range of sectors and geographies. Previously, Gillian's executive career was spent in corporate finance advisory, business strategy and energy.

Term of Office

Gillian was appointed a Non-Executive Director on 9 October 2023.

External Appointments

Gillian is an Independent Non-Executive Director at Vidrala, S.A. and Scottish Friendly Mutual Insurance as well as Non-Executive Chair of Statera Energy, charity and DC 25 investment Fund. She is also a Trustee for The Boswell Trust.

Committee Memberships

- Remuneration Committee
- Nomination Committee
- Audit Committee

CORPORATE GOVERNANCE REPORT CONTINUED

CORPORATE GOVERNANCE

The Group's corporate governance measures are designed to ensure that good governance is embedded and exercised at all times and at all levels across the Group. A **structured framework**, together with **accountable leadership, internal controls, risk management** and **stakeholder engagement**, enables and ensures good decision-making, which in turn promotes the direction, effectiveness and accountability of the Group.

STRUCTURED FRAMEWORK

THE BOARD

The Board is responsible for promoting the long-term sustainable success of the Group for the benefit of its shareholders and supporting all stakeholders. The Board establishes the Group's purpose and sets its strategic direction, ensuring that they remain aligned with the Group's ethics and culture. The Board consists of Executive Directors together with experienced Non-Executive Directors. Details of the Board members can be found on pages 48 and 49.

BOARD COMMITTEES

The Board Committees ensure that there is independent oversight of the matters within their respective remit and assist the Board in fulfilling its responsibilities. Each Board Committee is chaired by a Non-Executive Director. The Chair of each Committee reports regularly to the Board as to how that Committee has discharged its responsibilities. Written Terms of Reference govern the responsibilities of the Committees, which are reviewed regularly by the relevant Committee and made available on the Group's website (www.carrsgroup-ir.com).

Nomination Committee

The role of the Nomination Committee is to ensure that an appropriate balance of skills, experiences and backgrounds is achieved across the Board, and that the Group is properly prepared for the succession of members of the Board and senior management. Details of the work, responsibilities and governance of the Nomination Committee are set out in the Nomination Committee Report on pages 67 to 71 (inclusive).

Audit Committee

The Audit Committee's key responsibilities are to review the effectiveness of the Company's financial reporting, the performance of the external auditor and the Group's systems of risk management and internal control. Details of the work, responsibilities and governance of the Audit Committee are set out in the Audit Committee Report on pages 72 to 77 (inclusive).

Remuneration Committee

The Remuneration Committee's primary role is to review and set the reward structures for Executive Directors and oversee reward structures for other senior management to ensure that these promote the correct behaviours and are appropriate when considered in conjunction with the levels of pay and benefits offered across the Group. Details of the work, responsibilities and governance of the Remuneration Committee are set out in the Remuneration Committee Report on pages 78 to 102 (inclusive).

EXECUTIVE DIRECTORS

The Executive Directors are responsible for implementing the strategy agreed by the Board and reviewing strategic opportunities and initiatives; ensuring alignment on business priorities, investments and actions; management of the operational divisions and central functions on a day-to-day basis; and the management of matters relating to the Group's workforce.

SUBSIDIARY & JOINT VENTURE BOARDS

The Subsidiary and Joint Venture Operating Boards monitor performance and commercial developments.

These boards include subsidiary management, Executive Directors, leaders of Group functions and, where appropriate, managing directors and executives from joint venture partners. Meetings take place regularly and feedback on business performance and key developments is shared with the Board.

ENVIRONMENTAL STEERING GROUP

The Environmental Steering Group was established in early 2023 and is responsible for developing the Group's framework for assessing climate-related risks and opportunities and assessing the Group's performance by reviewing data, reviewing progress against agreed actions and providing advice to the Board in support of the development of strategy and management of risk. It meets on a quarterly basis, is chaired by the CEO and includes senior management from across the Group. The Environmental Steering Group is supported by Green Teams, which have been established at each site. For further details please see pages 34 and 35.

SENIOR LEADERSHIP

The senior leadership team is responsible for implementing policies, the operational delivery of the Group's strategies and monitoring performance and commercial developments.

The senior leadership team consists of the Executive Directors, senior management, managing directors of individual businesses, and Group functional leaders for Finance, Health & Safety, HR, Legal and IT. Members of the senior leadership team regularly engage with Board members.

ALL EMPLOYEES

Regular meetings are held in each of the Group's businesses, and also in each of the Group's central functions. These meetings are designed to manage and monitor day-to-day operations, improving the speed and efficiency of decision making. Each site also has a Green Team, which is responsible for considering resource efficiencies together with the environmental and social impacts of the Group businesses at a local level.

Ian Wood is the Board's Non-Executive Director for Employee Engagement, providing a link between the Board and the employees of the Group.

ACCOUNTABLE LEADERSHIP

The Board

Details of the Board can be found on pages 48 and 49.

Division of responsibilities

The UK Corporate Governance Code 2018 requires there to be a clear division of responsibilities between the leadership of the Board and the operation of the Group's businesses by the executive leaders¹. The roles of the Executive Directors, the Chair, the Senior Independent Director and the Non-Executive Directors are reviewed regularly by the Board, most recently in April 2023, with details set out on the Group's website, and referenced below:

¹ As noted in the 2022 Annual Report and Accounts, Peter Page acted as Executive Chair on an interim basis for the period from 11 October 2021 to 21 February 2023, during which time in addition to the responsibilities of the Chair set out above, Peter Page took on some of the key responsibilities of the Chief Executive Officer with the Chief Financial Officer taking on the remainder of the key responsibilities. Additional arrangements were put in place, including the delegation of certain of the Chief Financial Officer's responsibilities to senior finance personnel, to ensure that the Group continued to be managed effectively, governance remained robust and to enable the Group's strategy to be delivered during the interim period. On 5 August 2022 it was announced that Peter Page was to be appointed as Chief Executive Officer, but that the interim arrangements would continue with Peter remaining as Executive Chair until the new Non-Executive Chair is in place. Tim Jones joined the Board on 21 February 2023 as Non-Executive Chair and the division of responsibilities was reviewed and updated in April 2023.

NON-EXECUTIVE CHAIR

The Chair leads the Board, ensuring its effectiveness while taking account of the interests of the Group's various stakeholders, promoting high standards of corporate governance. Key responsibilities include:

- Chairing the Board, its Nomination Committee, and General Meetings including the AGM.
- Ensuring the Board Committees are properly constituted and effectively chaired.
- Ensuring that appropriate arrangements exist for the delegation of the Board's authority to Executive management and Board Committees.
- Ensuring the effective running of the Board, demonstrating objective judgement and the highest standards of corporate governance, ensuring that sufficient time is afforded for the proper consideration of key matters.
- Promoting openness and debate on the Board.
- Ensuring the timely flow of information to the Board and ensuring members are well-informed to enable constructive discussion and sound decision-making.
- Setting the Board's agenda in conjunction with the CEO and Company Secretary, focusing on strategy, performance, culture, stakeholders and accountability, and ensuring that it takes full account of the important issues facing the Group.
- Ensuring the effective oversight of risk management by the Board.
- Leading the performance evaluation of the Board and each of its members.
- Providing a sounding board for the CEO on key business decisions, challenging proposals where appropriate.
- Promoting the profile and perception of the Group publicly and amongst its stakeholders.
- Ensuring effective communication and engagement with shareholders and other stakeholders on key matters and that members of the Board understand the views of such shareholders and other stakeholders.
- Ensuring the effective oversight of Board membership and succession planning in conjunction with the Nomination Committee, taking into account the skills, experience, knowledge, and diversity of Board members.
- Ensuring, with the support of the CEO and Company Secretary, that effective induction programmes exist for onboarding new Board members.
- Encouraging the continued development of the Directors and the Board as a whole.

CORPORATE GOVERNANCE REPORT CONTINUED

CHIEF EXECUTIVE OFFICER

The Chief Executive leads in the development and implementation of strategy and has overall responsibility for the management and performance of the Group and its businesses. Other key responsibilities include:

- Developing and implementing the Group's strategy and commercial objectives.
- Promoting the Group's culture and behaviours and adhering to the highest standards of integrity and governance.
- Managing risk and risk mitigation strategies to safeguard the reputation of the Group and its businesses.
- Effecting the decisions of the Board and its Committees.
- Establishing an annual budget consistent with the agreed strategy.
- Providing input into the Board's agenda.
- Ensuring that dialogue is maintained with the Chair on important issues facing the Group.
- Ensuring open and regular communication and engagement with shareholders and other stakeholders.
- Developing and overseeing the Group's Environmental, Social and Governance work, and sustainability strategy.

SENIOR INDEPENDENT DIRECTOR ("THE SID")

Key responsibilities include:

- Acting as a sounding board for the Chair.
- Serving as an intermediary for other Directors, where necessary.
- Being available to shareholders to deal with concerns which cannot otherwise be resolved through ordinary channels.
- Leading in the performance evaluation of the Chair.
- Ensuring an orderly succession process for the Chair.

NON-EXECUTIVE DIRECTORS (INCLUDING THE CHAIR AND THE SID)

The Non-Executive Directors bring skills, knowledge and experience to the Board. Key responsibilities include:

- Providing independent and constructive challenge to the Executive Directors.
- Helping to develop Group strategy with an independent outlook.
- Devoting time to develop and refresh knowledge and skills, and being well-informed about the Group.
- Serving on Board Committees.
- Satisfying themselves as to the accuracy of the Group's financial results and the effectiveness of controls and systems of risk management.
- Determining appropriate levels of remuneration for Executive Directors.
- Having a key role in succession planning.

The Board is supported by the Company Secretary, who assists the Chair and the rest of the Board to uphold corporate governance standards. The Company Secretary ensures compliance with Board procedures and provides support to the Chair. He advises the Board on corporate governance developments and ensures that the Board receives information in a timely manner. The Company Secretary is able to access appropriate resources, services and advice to support the Directors as required. The Company Secretary also arranges and considers Board effectiveness reviews in conjunction with the Chair, facilitates Directors' induction programmes for new members and assists with ensuring that the Board has appropriate training.

Composition

As at the date of this Annual Report, the Board comprises two Executive Directors¹ and five Non-Executive Directors², including the Chair. There is also a Company Secretary to the Board³. Biographies of Board members are set out on pages 48 and 49. The appointment and removal of Directors is governed by the Company's Articles of Association and the Companies Act 2006. In accordance with the Corporate Governance Code, all Directors stand for election or re-election annually at the Annual General Meeting of the Company.

1 David White as Chief Executive Officer; and Martin Rowland as Executive Director of Transformation. Peter Page stood down from the Board and left the Group on 17 November 2023.

2 Tim Jones as Non-Executive Chair, Ian Wood, Shelagh Hancock, Stuart Lorimer and Gillian Watson. John Worby stood down from the Board on 31 October 2023.

3 Matthew Ratcliffe left the Group on 22 September 2023, and Justin Richards was appointed Company Secretary on 25 September 2023.

Diversity and inclusion

We believe that a truly diverse Board will include and make good use of differences in social and ethnic background, race, gender and other distinctions between Directors, such as cognitive and personal strengths. The Board has in place a Board Diversity Policy which extends to the Board Committees and sets out the Board's diversity objectives. A copy of the Board Diversity Policy can be found on our investor website (www.carrsgroup-ir.com/). Further details on diversity and inclusion can be found on page 27 and in the Nomination Committee Report on pages 67 to 71 (inclusive).

For the financial year ended 2 September 2023, members of the Board and the senior management team were asked to complete a diversity disclosure questionnaire to confirm which of the categories set out in the table below they identify with and to provide data on wider diversity aspects.

In accordance with Listing Rule 9.8.6R(10) below is the numerical diversity data as at 2 September 2023 in the format set out in LR 9 Annex 2.1.

Gender identity

Gender identity	Number of Board members	% of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management (senior management team)	Percentage of executive management (senior management team)
Men	7	87.5%	4	9	90%
Women	1	12.5%	0	1	10%
Non-binary	0	0%	0	0	0%
Prefer not to say	0	0%	0	0	0%

Ethnic background

Ethnic background	Number of Board members	% of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management (senior management team)	Percentage of executive management (senior management team)
White British or other White (including minority-White groups)	8	100%	4	10	100%
Mixed/Multiple Ethnic Groups	0	0%	0	0	0%
Asian/Asian British	0	0%	0	0	0%
Black/African/Caribbean/Black British	0	0%	0	0	0%
Other ethnic group, including Arab	0	0%	0	0	0%
Not specified/prefer not to say	0	0%	0	0	0%

FCA Listing Rules Targets

During the financial year ended 2 September 2023, less than 40% of the individuals on the Board were women and no senior position (Chair, CEO, CFO, SID) was held by a woman. No member of the Board was from a minority ethnic background. Historically, the geographical location of the Group, together with the industries in which the Group operates have impacted the ability of the Board to attract persons who not only possess the appropriate skills and experience, but also meet diversity targets. The Board has taken positive steps in this regard, with the publication of the Board Diversity Policy applicable to the Board and Committees, which sets out diversity objectives for Executive and Non-Executive Directors, and the continuation of flexible working arrangements where appropriate which support diversity not only at Board level but also across the wider workforce. For details of diversity and inclusion across the wider workforce, see page 27. Since the end of the financial year ended 2 September 2023, positive steps have been taken – 28.57% of the Board as at the date of this report are women, and the role of Senior Independent Director is held by a woman. Details of Board succession planning during FY23 and candidate diversity can be found in the Nomination Committee Report on pages 67 to 71 (inclusive).

CORPORATE GOVERNANCE REPORT CONTINUED

Skills and experiences

The Board recognises the importance of having an appropriate mix of skills, qualities and industry experience in order to deliver the strategic objectives of the Company for the benefit of its shareholders as a whole. The aim is to ensure that the skills and backgrounds collectively represented on the Board reflect the diverse nature of the business environment in which the Group operates. The biographical details of the current Directors, including their relevant experience, are set out on pages 48 and 49. During the year, the Board undertook a review to assess the range of skills, attributes and experience on the Board, to ensure that it remains effective, balanced and suited to the Group's strategic priorities. The outcome of the review has been used to inform Non-Executive Director succession planning and will continue to be considered and revisited as the strategy progresses.

Powers and responsibilities

The powers of the Directors are set out in the Company's Articles of Association. In addition, the Directors have responsibilities and duties under legislation, in particular those arising under s.172 of the Companies Act 2006.

Non-Executive Director independence

The Board reviews the independence of its Non-Executive Directors regularly. Taking into account all circumstances, including those factors set out in the Corporate Governance Code, the Board considers Non-Executive Directors Ian Wood, Shelagh Hancock, Stuart Lorimer and Gillian Watson to be independent. Tim Jones joined the Group as Non-Executive Chair on 21 February 2023. The Board considers Tim to be independent. Martin Rowland was appointed as a Non-Executive Director of the Company on 6 March 2023. Martin is appointed as a representative of Harwood Capital Management Limited ("Harwood") pursuant to a relationship agreement between the Company and Harwood. As a representative of Harwood, the Board does not consider Martin Rowland to be independent. Martin ceased to be a Non-Executive Director on becoming Executive Director of Transformation on 13 November 2023.

Directors' conflicts of interest

The Companies Act 2006 and the Company's Articles of Association require the Board to consider any actual or potential conflicts of interest. The Board has a policy for managing and, where appropriate, authorising actual or potential conflicts of interest, or related party transactions. Directors are required to declare any interests they or close family members have in any organisations that are not part of the Group, as well as other circumstances which could give rise to a conflict of interest. Registers of related parties and third-party interests are regularly reviewed by the Board. Directors are required to seek clearance from the Chair before taking on any new appointments to ensure that any potential conflicts of interest can be identified and addressed appropriately. Any potential conflicts of interest in relation to proposed Directors are considered by the Board prior to an individual's appointment. In the financial year ended 2 September 2023, there were no declared conflicts of interest, and there have been no declared conflicts of interest in the period from 2 September 2023 to the date of this Annual Report.

At the outset of every Board and Committee meeting, Directors are required to declare any actual or potential conflicts in relation to matters on the agenda. In respect of discussions relating to CEO succession during FY23 and into FY24, where Peter Page and David White were directly interested in the matters discussed, neither Peter Page nor David White voted in connection with matters in which they had an interest. In respect of discussions relating to the CFO succession during the first half of FY23, Board minutes reflect that Neil Austin was directly interested in discussions relating to CFO succession and accordingly note that Neil Austin would not vote in connection with such matters.

In the first half of FY24, in relation to discussions concerning CFO succession, Board minutes reflect that David White was directly interested and accordingly note that David White would not vote in connection with such matters. In addition, in relation to discussions concerning the appointment of an Executive Director of Transformation, Board minutes reflect that Martin Rowland was directly interested and therefore would not vote in connection with such matters.

Director induction and development

Upon joining the Group, each Director completes an induction which ensures each new Director is fully informed and has the necessary support. Once appointed, each Director is provided with information on the Group's corporate governance arrangements, together with key policies and procedures and access to Board and relevant Committee papers. New Director inductions also typically include meeting with the CEO, CFO, Company Secretary and members of the senior management team and visits to several of the Company's operational sites.

The Chair is responsible for ensuring that all Directors receive comprehensive information on a regular basis to enable them to perform their duties properly. Briefings are provided to the Board where necessary on areas including regulatory updates, Listing Rules requirements and updates and Market Abuse Regulations requirements. Information on upcoming legal and regulatory changes is also provided to the Board as and when appropriate.

Support and advice

All Directors have access to the advice and the services of the Company Secretary and access to senior management across the Group where required.

Directors can obtain independent professional advice at the Group's expense in performance of their duties as Directors. None of the Directors obtained independent professional advice at the Company's expense in the financial year ended 2 September 2023.

The Board and the Board Committees are also supported by external advisers on a regular basis in respect of matters such as remuneration, pensions, property, governance and compliance. PricewaterhouseCoopers LLP continued to act as professional advisers to the Remuneration Committee during the year. Further details can be found in the Remuneration Committee Report on pages 78 to 102 (inclusive).

Attendance at meetings

The Board met on seven scheduled occasions during the financial year ended 2 September 2023. Meetings are scheduled around events in the corporate calendar, such as finalisation of the full and half year accounts, year-end and the AGM. In addition to regular scheduled meetings, a number of additional meetings took place during the year in order to deal with specific business arising from time to time.

Details of Director attendance at scheduled Board and Board Committee meetings during the year ended 2 September 2023, against the number of scheduled meetings they were eligible to attend, are shown below:

	Board	Nom-Com	Audit Com	Rem-Com
Total no. of scheduled meetings	7	2	5	5
Directors in post during FY23				
Peter Page ¹	7 (out of 7)	2 (out of 2)	N/A	N/A
David White ²	4 (out of 4)	N/A	N/A	N/A
Neil Austin ³	3 (out of 3)	N/A	N/A	N/A
Tim Jones ⁴	4 (out of 4)	2 (out of 2)	N/A	2 (out of 2)
John Worby	7 (out of 7)	2 (out of 2)	5 (out of 5)	5 (out of 5)
Ian Wood	7 (out of 7)	2 (out of 2)	5 (out of 5)	5 (out of 5)
Shelagh Hancock	7 (out of 7)	2 (out of 2)	5 (out of 5)	5 (out of 5)
Stuart Lorimer	7 (out of 7)	2 (out of 2)	5 (out of 5)	5 (out of 5)
Martin Rowland ⁵	3 (out of 3)	N/A	N/A	N/A

Notes:

- N/A – Not applicable (where a Director is not a member of a Committee).
- Executive Directors may attend Committee meetings (or parts of such meetings) by invitation where required.
- Several unscheduled Board and Audit Committee meetings were held during the financial year ended 2 September 2023 in relation to the delayed announcement of year end results and subsequent suspension of share trading.
- Several unscheduled Board and Nomination Committee meetings were held during the financial year ended 2 September 2023 in relation to Board member changes.
- Several unscheduled Board and Remuneration Committee meetings were held during the financial year ended 2 September 2023 in relation to Board member changes and changes in senior management.
- Gillian Watson joined the Board on 9 October 2023 and was therefore not on the Board during FY23.
- John Worby was a member of the Board throughout FY23 and stood down from the Board on 31 October 2023.

¹ Peter Page was a member of the Nomination Committee but stood down as Chair of the Committee on 2 May 2023, and stood down from the Board and left the Group on 17 November 2023.

² David White joined the Board on 21 February 2023.

³ Neil Austin stood down from the Board on 21 February 2023.

⁴ Tim Jones joined the Board on 21 February 2023.

⁵ Martin Rowland joined the Board on 6 March 2023.

All Directors are expected to attend scheduled Board meetings and relevant Committee meetings in addition to the Annual General Meeting unless they are prevented from doing so by prior work or extenuating personal commitments. In advance of all Board meetings the Directors are supplied papers covering the matters to be considered. Members of the senior management team and other third parties may also attend meetings, or parts of meetings, by invitation. Were a Director unable to attend a particular meeting, he/she would receive relevant briefing papers and be given the opportunity to discuss matters with the Chair or other Directors. This did not occur in the financial year ended 2 September 2023.

CORPORATE GOVERNANCE REPORT CONTINUED

Meeting activities

Board agendas are set by the Chair in consultation with the Executive Directors with the assistance of the Company Secretary. Each includes a balance of the Board's principal responsibilities which can be grouped into eight areas as outlined below:

	Role of the Board	Board Activity
Strategy	To set strategic aims and objectives, including those relating to Environmental, Social and Governance considerations.	<ul style="list-style-type: none"> • Reviewing progress against strategic aims and objectives throughout the year. • Reviewing new business developments and opportunities including potential acquisitions and investments in research and technology. • Refining strategic priorities in line with market developments.
Financial Performance	To assess financial performance, track capital investment and financial planning.	<ul style="list-style-type: none"> • Monitoring financial performance. • Overseeing preparation and management of the financial statements. • Approving budgets. • Ensuring adequate cash and external finance. • Approving major capital projects, acquisitions or materially significant contracts. • Determining dividend policy. • Determining pensions strategy.
Health & Safety	To approve the Health & Safety strategy, monitor performance and drive a culture of safety and care.	<ul style="list-style-type: none"> • Focus on performance through Health & Safety metrics and target reports from management at the start of each meeting. • Providing support where appropriate to drive continuous improvement.
Risk	To set the approach to risk management and oversee the Group's risk and internal control framework.	<ul style="list-style-type: none"> • Considering feedback from external and internal audit. • Reviewing financial forecasts and other considerations in support of the viability statement.
Environment	To set sustainability priorities and oversee climate-related risks and opportunities. To ensure decisions are sustainable in the long term and the approach to climate change is addressed through work on strategy, operations and risk.	<ul style="list-style-type: none"> • Considering environmental and climate-related impacts on the Group and wider stakeholders. • Setting climate-related and sustainability goals and Executive Director and senior management remuneration structures linked to environmental objectives. • Reviewing progress against the Group's sustainability strategy.
People and Culture	To understand employee views and set the cultural tone underpinning a fair workplace and ethical business practice.	<ul style="list-style-type: none"> • Promoting the Group's culture and behaviours. • Monitoring and assessing feedback from employees and ensuring employee interests are considered. • Succession planning for Board Members and senior management.
Stakeholder Engagement	To ensure that effective engagement with employees, shareholders and other stakeholders is carried out, and feedback considered.	<ul style="list-style-type: none"> • Approving strategy for stakeholder engagement. • Approval of public announcements. • Considering feedback from investor meetings and roadshows.
Governance	To promote responsible leadership based on transparency.	<ul style="list-style-type: none"> • Ensuring compliance with legal, regulatory and disclosure requirements. • Determining Group delegations of authority, including matters reserved for the Board, and Terms of Reference for Board Committees. • Reviewing potential conflicts of interest. • Overseeing Board and Committee performance evaluation. • Succession planning and Board appointments.

Activities in FY23

In addition to the regular items, during the financial year ended 2 September 2023, specific areas of focus for the Board included:

Area of focus	Progress
Scrutiny of financial control and reporting processes, specifically where accounting judgements are required, including revenue recognition in the Engineering division.	The Audit Committee, on behalf of the Board, has received regular updates on improvements being made to the Group's control environment. Revenue recognition documentation has been refreshed to ensure consistency of application across the Engineering division.
Continued development of the strategy to grow shareholder value.	The first stage of the Group's review of strategic options, the sale of the Agricultural Supplies division, was completed on 26 October 2022 with the process to close the completion accounts finalised during August 2023. The Board is continuing to develop the strategy to increase shareholder value.
Development of the Speciality Agriculture division through organic growth opportunities and carefully targeted acquisitions.	In UK Speciality Agriculture the focus has been to achieve a co-ordinated market presence and to be as effective as possible. Changes in personnel have been made to co-ordinate and consolidate areas of commonality between the Speciality Agriculture businesses such as commercial, finance, HR, operational improvements and sales and marketing to ensure we have the resources and capability to address the current market challenges.
Development of opportunities for growth in the Engineering division through focusing on the unique strengths and qualities of the current businesses to realise their potential.	The Engineering division has had high activity levels during FY23 and has strengthened its order book with a number of significant contract wins.
Onboarding new Board members.	During FY23, three new Board members joined the Board: Tim Jones as Non-Executive Chair, David White as Chief Financial Officer (appointed as Chief Executive Officer from 17 November 2023), and Martin Rowland, as Non-Executive Director (appointed as Executive Director of Transformation on 13 November 2023). New Board members completed an induction, met with other Board members and members of the Senior Leadership Team and completed visits to several of the Group's operational sites.
Stronger emphasis on climate-related risks and opportunities including the establishment of an Environmental Steering Group and supporting activities to ensure it is effective in setting the direction for the Group.	The Environmental Steering Group was established in February 2023, and is chaired by our CEO and includes colleagues from across all our businesses. The Environmental Steering Group is supported by the Green Teams which were launched at the start of FY23. There is a Green Team at each of our sites responsible for considering resource efficiencies together with the environmental and social impacts of our business at a local level. The Environmental Steering Group and the Green Teams publish regular newsletters on the Group's intranet (CarrsConnect), and ESG is a standing agenda item at Board meetings. For further information please see pages 34 and 35.
Implementation of a new ERP system in the US feed blocks business.	Successful activities on the ERP implementation in the US feed blocks business were undertaken during FY23. Work on this project was scaled back to ensure the successful decoupling of the Agricultural Supplies division IT systems. Work will continue into FY24 with implementation expected in June 2024.

CORPORATE GOVERNANCE REPORT CONTINUED

FY22 year-end process

In addition to the activities detailed on the previous page, the Board, working alongside the Audit Committee and Chief Financial Officer, also dealt with challenges in finalising the Group's year-end accounting and audit process for FY22. In November 2022 a delay was announced to the completion of the year end process that had several consequences, including a temporary suspension of trading in the Company's ordinary shares, delayed release of the Annual Report and audited results and payment of the final dividend later than usual. The Company, overseen by the Audit Committee, worked closely with its external auditor, Grant Thornton UK LLP ("Grant Thornton") to ensure that the FY22 results were not delayed any longer than necessary.

The Board's focus during that period was to ensure that the Company complied with its legal and regulatory obligations and stakeholders were kept informed. Under the Financial Conduct Authority's ("FCA") Disclosure Guidance and Transparency Rules, the Company was required to publish its audited FY22 results by 3 January 2023. The Board requested, and the FCA confirmed, that the listing of the Company's ordinary shares of 2.5 pence each (the "Ordinary Shares") be temporarily suspended with effect from 7.30 a.m. on 4 January 2023. During the period of delay, the Company made five announcements via the regulatory news service ("RNS"), and held a number of calls with major shareholders to update on progress. The Company's audited FY22 results were published on 23 March 2023, with the Company's Ordinary Shares being restored four working days later following confirmation from the FCA.

Once the year-end accounting and audit process for FY22 was complete, the Chief Financial Officer undertook a detailed review to understand the shortcomings, and where improvements could be made to ensure that similar issues are not encountered in future years. Areas identified for improvement were agreed with Grant Thornton and included in the audit plan for the FY23 year end. These included an earlier review of revenue recognition in the Engineering division, obtaining specialist input into key judgement areas and remediation of control concerns raised by Grant Thornton during its FY22 audit work. Group resources have also been used to support business unit teams through the year end reporting process.

Focus for FY24

At the date of writing this Annual Report, it is anticipated that the following areas will receive focus by the Board during the year ending 31 August 2024:

- Development of the strategy across both divisions to increase shareholder value
- Embedding new Speciality Agriculture divisional leadership, supporting them to develop commercial opportunities and drive operational efficiencies
- Assessment of opportunities to invest in the Engineering division, to optimise production capacity and maximise growth potential
- Strengthening the role of the Environmental Steering Group in setting the direction of the Group's response to climate-related risks and opportunities
- Driving further improvements in the Group's financial reporting processes to improve performance management and forecast accuracy
- Implementation of ERP system in US feed blocks business

Board evaluation

The Board reflects on its performance and effectiveness annually. In 2023, the Board review was facilitated internally by the Chair with support from the Company Secretary. The 2023 internal review took the form of two questionnaires: one focussed on Board Governance and structure around the Corporate Governance Code 2018, and the other focussed on self-assessment.

The last externally facilitated Board review took place in 2021. In accordance with the principles of the UK Corporate Governance Code, we intend to externally facilitate next year's Board review.

The feedback was the subject of review and discussion by the Board. Overall, there was a positive response to the functioning of the Board and Committees. As there had been a number of changes at Board and Committee level during the year, the evaluation provided a timely and valuable perspective on Board Governance. The recommendations which the Board plan to take forward for FY24 are set out on the following pages. An update will be provided in the Company's 2024 Annual Report and Accounts.

Recommendation	Progress to date	Future plans
Recommendations from internal evaluation during 2023:		
Focus on Group purpose and values.	Focus for FY24	Review of the Group's purpose and values to ensure these are reflective of the strategy and Group.
Stakeholder engagement.	Focus for FY24	More structured engagement programme for the Board with all stakeholder groups together with informal engagement opportunities to be reviewed to enable the Board to be closer to stakeholders.
Ongoing review of Board performance, composition and skills throughout the year.	Focus for FY24	Regular review of skills and experience to ensure the Board is well positioned to continue reviewing strategic options for the Group.
Board focus.	Focus for FY24	Review of Board agenda topics, updates and focus to ensure Board and Committee meetings are effective and continue to have an in-depth understanding of the market in which the businesses operate.

The recommendations agreed following the internal review in 2022 and the 2021 external review were a focus for the Board throughout the year. A summary of the recommendations together with actions taken and future plans are set out below and on the following page:

Recommendation	Progress to date	Future plans
Recommendations from internal evaluation during 2022:		
Develop reporting on targets/performance objectives.	All business areas submitted a three-year plan during FY23, with senior manager performance objectives and bonuses being linked to the plan and budgets.	Reducing the internal reporting cycle duration through better use of existing systems is a priority. This will support an improvement in forecast accuracy by utilising management information more timeously.
Increase focus on employee engagement.	The Group's intranet (CarrsConnect) has played a key role during FY23 ensuring that colleagues are kept informed. The Board has met with members of the senior leadership team and also undertaken site visits to meet with colleagues across the Group.	Employee engagement will continue to be developed as we explore communication strategies to ensure that our businesses in the UK and internationally are consulted and kept informed. For more information see pages 62 to 66 (inclusive).
Board training.	Board training has been provided throughout the year, from business-specific topics and site visits, to training provided by external providers on specific governance and regulatory matters.	Following on from the FY23 Board Evaluation, a programme of Board training events is being developed to take place throughout the year.

CORPORATE GOVERNANCE REPORT CONTINUED

Recommendation	Progress to date	Future plans
Recommendations from external evaluation during 2021:		
Increase focus on strategy development.	Having taken the first steps in the ongoing process of strategic change for the Group, the Board has continued to develop Group strategy.	The Board will continue to review strategic options including review of market insights and Group competencies.
Determine risk appetite of Board.	Good progress has been made on enterprise risk with a base line framework established to enable risk appetite to be assessed.	Training and guidance on risk for the Group is to be developed to embed a risk culture within the Group. The Audit Committee will continue to monitor risk reporting and the maturing of the risk framework. The Board will assess and review risk appetite against strategic developments.
Reduce level of operational detail.	Board effectiveness review has been undertaken and the results discussed at the Nomination Committee.	Following the Board effectiveness review, the Chair and the Company Secretary are reviewing the Board calendar and agenda, to better align with strategy, performance and governance. The CEO, CFO and senior management will provide input on agreed key business objectives which will ensure focus and support optimisation of the Board's effectiveness.
Embed ESG considerations.	Considerable progress has been made on ESG considerations. The Group's Environmental Steering Group is chaired by the CEO, and Green Teams ensure that environmental and social matters are considered at all levels across all Group businesses. The Board continues to promote high standards of governance.	Details of future sustainability initiatives are set out on pages 34 to 44 (inclusive).

INTERNAL CONTROLS

The organisational structure of the Group has been established to ensure effective implementation and monitoring of the Group's objectives. The Group's processes have been designed to ensure that robust controls are effectively embedded in operational activities. The Board provides oversight of those controls and reviews their effectiveness, together with processes for risk management which are designed to safeguard the assets of the Group. Our systems are designed to manage any risk of failure to achieve business objectives and to provide a reasonable level of assurance against material misstatement or loss. The FY22 report of our external auditor identified a number of process and control concerns, which, given the extended year end close process, impacted the first half of the current financial year. Actions have been taken across the Group to close these concerns or, if required, to mitigate any associated risks identified. The Audit Committee supports the Board in considering the control environment and the report on pages 72 to 77 (inclusive) provides further information.

The Group's financial reporting processes are a critical part of the Group's internal controls framework. Monthly reports are received from all of the Group's subsidiaries and joint ventures. Submitted information is consolidated in the Group's financial reporting system and subject to validation checks by the central Group finance team, before being reviewed by the Chief Financial Officer. Information on performance is presented to the Board on a monthly basis and subject to review at every Board meeting. All monthly reporting is prepared in line with Group accounting policies, which are reviewed annually and are also subject to review by the Group's external auditor, Grant Thornton. The Group's internal risk-based control systems have been fully operative throughout the year and up to the date of this Annual Report and Accounts.

RISK MANAGEMENT

Initial identification of risks, and the actions required to mitigate these, arises through reviews held with managing directors of each business unit. These are subsequently discussed with the Executive Directors to consider the potential implications of these risks and to consider which pose the greatest threat to Group performance. The effectiveness of mitigating actions is also considered and appropriate steps taken.

The Audit Committee reviews the effectiveness of risk management and internal control systems. Reports on risk are delivered to the Board which, together with direct involvement in strategy, investment appraisal and budgeting, enable the Board to report on the overall effectiveness of internal control.

A summary of the risk management framework and key risks to the Group are set out on pages 20 to 23 (inclusive).

COMPLIANCE STATEMENT

The Board confirms that the Company has, throughout the year ended 2 September 2023, applied the principles, both in spirit and in form, and complied with the requirements of the UK Corporate Governance Code issued by the Financial Reporting Council ("FRC") in July 2018 (the "Code"), with the exception of provisions 9 and 41 noted below.

Code Provision 9:

Interim arrangements

The interim Executive arrangements first announced on 12 October 2021 included the Chair acting in an Executive capacity, at which time he ceased to be independent. Peter Page stood down as Chair upon the appointment of Tim Jones as the new Non-Executive Chair for the Group, which took effect on 21 February 2023. Peter stood down from the Board and left the Group on 17 November 2023.

Code Provision 41:

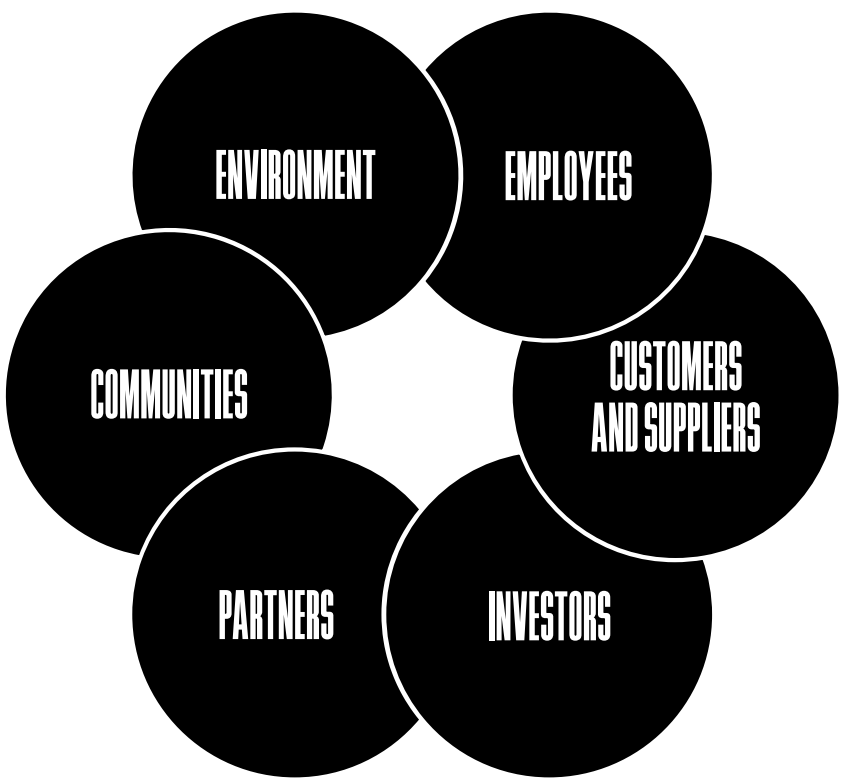
Workforce engagement on Executive remuneration

The Remuneration Committee evaluates remuneration across the Group such as basic pay increases, bonuses and share awards, when determining remuneration levels for Executive Directors and senior management. Whilst specific feedback on the alignment of Executive remuneration with the broader Group remuneration policy has not been sought, workforce engagement has been ongoing throughout the year.

Further details on the considerations of the Remuneration Committee can be found on pages 78 to 102 (inclusive). Whilst the Group's employee engagement survey in October 2021 sought feedback in relation to remuneration and benefits, this was not directly in relation to the alignment of Executive remuneration with broader Group remuneration policy.

STAKEHOLDER ENGAGEMENT AND OUR SECTION 172 RESPONSIBILITIES

We are dedicated to full and proper consideration of the interests and views of our broader stakeholders. We believe that this produces better outcomes and enhances the sustainability of our businesses. Effective engagement enables us to focus on what matters, improve business and operations, and create long-term value for all our stakeholders.



We have a broad range of stakeholders and as a result we adapt our approach to specific stakeholders, which enables increased understanding of their priorities and perspectives. We recognise that full and involved engagement is fundamental to informing Board and Committee discussions and subsequent decision making. We ensure that a regular dialogue is maintained with our stakeholders, that the Board is involved in direct engagement with our stakeholders, and that engagement is built into day-to-day management across the Group. On the following pages, we highlight our key stakeholders and explain why and how we engage with them, and detail outcomes achieved in the year. These disclosures demonstrate our recognition of, and regard for, the matters set out in section 172(1) of the Companies Act 2006.

EMPLOYEES

Why we need their engagement

Our people are vital to the success of our business and remain a primary consideration in everything we do. We focus on inclusivity and strive to ensure that our people remain an active part of our businesses to help us shape the future of the Group. We continually work to create a safe environment where employees have the space and opportunities to develop their skills, potential, and experiences. We want our people to feel properly valued and rewarded for their contributions to the business.

We listened

Engagement during FY23 took place through a variety of methods designed to ensure that our people remain fully engaged with us, for example:

- Regular briefings, announcements, and vlogs available through CarrsConnect and on noticeboards.
- Informal meetings with Directors, utilising our 'open-door' policy.
- Non-Executive Director briefings and site visits designed to better understand the views of our people together with the issues and opportunities for them and their businesses.
- Interactions with the Board's Employee Engagement representative, responsible for reporting on employee-related matters to the Board with the aim of ensuring that employee interests are properly considered in Board decision making.
- Board members, regular updates and meetings with senior managers.

For more information, see from page 26 to 31 (inclusive).

We took action

– Improved Employee communications.

The appointment of a Communications Manager in August 2022 has led to significant upgrades to our intranet, CarrsConnect and communications across the Group. e-notice boards have been introduced at most of our sites, alongside static noticeboards, with colleagues encouraged to share their news stories via CarrsConnect. This ensures that our people remain informed about key developments in an engaging and interactive way.

– Well-being and mutual respect.

We continue to make progress on feedback from previous employee engagement surveys. The focus remains on our commitment to colleague well-being and mutual respect (see pages 26 to 31 (inclusive)).

– Training and development.

We continually offer broad training and development opportunities, as well as internal training delivered throughout the year (see pages 28 to 30). In particular the corporate induction was updated to make it more reflective of the Group and the Code of Ethics was also updated following the disposal of the Agricultural Supplies division. Updated training and development opportunities within the Group have been promoted, and our engineering apprentice training school continues to grow and benefit our home-grown talent.

– Green Teams.

We established Green Teams in every operational site during FY23. The teams meet regularly to discuss and report on issues. Representatives from the different Green Teams hold meetings at regular intervals to ensure all Green Teams are working towards the same goals and targets.

– Access to Board members.

Members of the Board have attended site visits and Board meetings have been held at operational sites whenever possible.

– Executive Director activity.

The CEO and CFO have spent time at various operational sites, including USA and Germany which provided an opportunity for face-to-face meetings. Throughout FY23, Peter Page held regular briefings in person and via Teams to ensure colleagues were kept informed of developments across the Group, including personnel changes and updates on Board recruitment and succession.

CORPORATE GOVERNANCE REPORT CONTINUED

CUSTOMERS AND SUPPLIERS

Why we need their engagement

Regular engagement with our customers and suppliers is important to our business and the ongoing development of our business model. It allows us to better understand their needs and priorities and helps shape our strategy. We recognise that customers want to work with businesses who can consistently meet demands, put their interests first, and deliver on promises.

We listened

Engagement with current and potential customers, distributors and suppliers takes the form of:

- Regular and open dialogue between our management teams and with those with whom we do business which helps build long-lasting and trusted relationships.
- Reporting to the Board regularly, both formally through presentations and business plans, and also informally to ensure that customer perspectives are properly understood as part of the Board's decision-making process.

- Attendance at UK and international trade events and shows.
- Site visits to customers and distributors in the UK and internationally.
- A focus on delivering quality and continual improvement of our products and practices when required.

We took action

– Understanding their needs now and in the future.

Understanding our customers helps us to develop our strategy in a way which ensures future growth for the benefit of all our stakeholders. Throughout FY23 we maintained a constant dialogue with our customers and suppliers to understand their developing needs. This engagement on a day-to-day basis has enabled us to add value to our customers' businesses, through contingency planning and risk reduction on the large-scale projects being delivered by our Engineering division, to providing support and expertise to our customers and suppliers across our Speciality Agriculture division (see website <https://www.carrsgroup.com/news/>).

– Ongoing relationships.

During FY23 we have continued to engage with our customers through our news and social media channels. Further information can be found on our website (<https://www.carrsgroup.com/news/>)

– Engagement.

Our agricultural brands continue to offer customers access to competitions and promotions to engage with them in a new way and encourage interest in, and dialogue about, our products.

INVESTORS

Why we need their engagement

Performing well for our investors is our priority as investor trust and confidence in the Group is essential. All investors, whether private individuals, employee shareholders or institutional investors, need to be able to trust us to manage their assets and execute the Group's strategy. We recognise that in so doing, we must act ethically, in a sustainable manner, and in accordance with good governance and acting fairly as between members of the Company. Our investors expect open channels of communication about the Group's current and expected performance so that they can properly assess risks and opportunities when making investment decisions.

We listened

We communicate with investors using a variety of different mediums:

- Shareholders have access to the Company's website at www.carrsgroup-ir.com.
- We maintain a regular calendar of announcements and events for investors and host accessible online presentations on the full year and interim results.
- Significant matters relating to trading or development of the Group are disseminated to the market by way of Stock Exchange announcements, and are uploaded to the Company's website.
- The Chair, Non-Executives and Company Secretary regularly engage with investors on governance issues and other matters concerning the Board.
- The Chief Executive Officer and the Chief Financial Officer meet with investors following half year and year end results announcements, and as requested at other times.
- All reports and updates are made available on the Company's website. The Group maintains dialogue with substantial and institutional shareholders and analysts.
- Enquiries from individual shareholders are welcomed and should be addressed through the Company Secretary's office.

We took action

– Proactive investor relations.

In the year, the Chair engaged directly with different shareholders on a number of topics to better understand their views more broadly. In addition to our regular investor engagement, during FY23 we liaised with key investors on a number of specific matters. Further details can be found on pages 79 and 80.

– Engagement with the Board.

We ensure that the Board agenda includes a specific item for the consideration of shareholders views, and we do this with the involvement of the Group's brokers as required.

– Investor website.

During FY23 we took steps to upgrade our digital connectivity with our investors. We have a refreshed website which will provide key information.

– Announcements.

Our stock exchange announcements, press releases and update broadcasts are always publicised internally and externally, so that our investors and colleagues can keep up to date with any changes.

– Meetings.

This financial year involved an Annual General Meeting and two General Meetings which enabled the Board and colleagues to engage with shareholders. In addition to the formal part of the meetings, shareholders also had the opportunity to speak with Board members informally.

PARTNERS

Why we need their engagement

The Group includes several businesses with strategic partners with whom we maintain an active dialogue. We are proud that our partnerships are founded upon mutual trust and strategic alignment to ensure the most beneficial outcome for everyone. Our partners value long-term commitment, open communication, and diligence so that we can effectively pursue jointly developed strategic goals.

We listened

We maintain an active dialogue with our strategic partners through:

- Executive meetings and management team meetings ensuring that the businesses work very closely to understand risk and opportunities, and in the development of business strategy.
- Regular formal and informal meetings with our partners involving both Board members and senior management covering strategic, operational and industry issues.
- Regular reporting to the Board to ensure that it remains fully appraised and informed of matters impacting our partners.

We took action

– We meet and we talk.

These longstanding and trusted relationships are a consequence of our regular engagement and are a foundation for the success of those businesses. On this foundation we build strength and resilience into our business model, to our mutual benefit. Having strong relationships underpinned with mutual respect enables us to work collaboratively and understand our partners' key drivers.

– Input.

The CEO and CFO make every effort to meet with our partners in person. This in-person engagement has been very useful in producing an honest and open dialogue which leads to better relationships and business improvements.

COMMUNITIES

Why we need their engagement

Our operation spans 17 sites with colleagues based in various countries. We recognise the importance and value of working within and contributing to these local communities. Our various community stakeholders have broad interests ranging from the provision of jobs and investment in local economies, to supporting vulnerable people and charitable initiatives in their locality.

We listened

We engage with our local communities by:

- Encouraging active participation in community initiatives.
- Continuing to support a range of selected charitable causes.
- Supporting and developing our own employment and apprenticeship schemes.
- Reporting to the Board on significant community issues and sustainability programmes.

We took action

– Community action.

We recognise that the Group is a big part of the local business community and understand our responsibilities to give back. We do this through supporting and donating to local causes where appropriate. For more information see our Responsible Business Report on page 32.

– More than financial support.

In addition to the financial support, we also provide practical support to local communities. We provide apprenticeship schemes and training opportunities and through our involvement with the Cumbrian Manufacturing Alliance we have contributed to the local community. We are proud that across the Group, our people devote considerable time and resources to good causes and community initiatives including supporting local food banks, local charities and sponsoring local events near to our sites. For more information see our Responsible Business Report on pages 25 to 35 (inclusive).

CORPORATE GOVERNANCE REPORT CONTINUED

ENVIRONMENT

Why we need their engagement

We recognise that sustainable business and environmental impact are key areas of focus and integral to the growth of the Group. We are committed to proactively improving the sustainability of our business and minimising our environmental impact.

We took action – Group-wide action.

The Group ensures that environmental considerations feature prominently across the Group. Initiatives such as the Carr's Go Green vehicle scheme, the establishment of Green Teams at our sites, and changes in the way we source and use electricity at our sites all contribute to our sustainability goals. For more information see our Responsible Business Report on pages 34 to 44 (inclusive).

We listened

- We ensure that we practise responsible behaviours at all times within the Group.
- We are party to raw material sustainability programmes.
- Supporting colleagues making more environmentally friendly choices.
- Encouraging ownership of local initiatives aimed at addressing the environmental and social impacts of our business at local level.
- Reporting to the Board on sustainability programmes.

Section 172 Statement

Engagement with stakeholders is an essential element in Board and Committee discussions and decision making and supports the principles of Section 172 of the Companies Act 2006. Section 172 requires directors of a company to act in the way which they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decisions in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and environment;
- the desirability to maintain a reputation for high standards of business conduct; and
- the need to act fairly as between members of the company.

At Carr's these factors are carefully considered in the Board's key decisions and strategic discussions. The Board receives regular updates and reports from business areas which include matters concerning our stakeholders. Directors are also provided with details of our strategic progress, financial performance and risk management and matters such as health and safety, ESG and corporate governance are also included. The information received is considered in the Board's discussions, with the Board seeking further information and assurances where appropriate. Board minutes detail the Board decisions and the relevant factors which have been taken into account when reaching those decisions. Maintaining good governance and high standards of conduct is central to the Directors who receive regular training on Directors' duties and obligations under Section 172.

In FY23 we completed the disposal of our Agricultural Supplies division. The sale of the Agricultural Supplies division was a significant step in shaping the Group's future, and one of the most important decisions made by the Board in recent years. Given the magnitude of the decision, stakeholder considerations were firmly at the heart of the process. The internal review process which took place during 2022 considered our various stakeholder groups, details of which can be found on page 44 of the 2022 Annual Report and Accounts. The consequences of the decision to dispose of the Agricultural Supplies division were considered by the Board, which ultimately decided that proceeding with the transaction would achieve growth in shareholder value in the long term. Following the announcement of the proposed sale on 31 August 2022, the Group's shareholders voted in favour of the Board's recommendation at a General Meeting on 19 September 2022, with 98.7% of votes being cast in favour and representing an absolute majority of all shareholders. Following shareholder approval, the sale was ultimately completed on 26 October 2022.

Further details on how the Board discharges its duties under s.172 are set out in pages 62 to 66 (inclusive) and throughout the Strategic Report on pages 01 to 45 (inclusive) and in the Corporate Governance Report on pages 46 to 107 (inclusive). Specific details relating to the matters set out in Section 172(1) (a-f) can be found as follows: (a) the likely consequences of any decisions in the long term (see above details of the sale of the Agricultural Supplies division, and pages 4 to 7 (inclusive), pages 12 and 13, pages 18 and 19, pages 20 to 23 (inclusive), pages 36 to 44 (inclusive) and pages 50 to 61 (inclusive); (b) the interests of the company's employees (see pages 25 to 35 (inclusive) and pages 62 to 66 (inclusive); (c) the need to foster the company's business relationships with suppliers, customers and others (see above on pages 62 to 66 (inclusive); (d) the impact of the company's operations on the community and environment (see page 32 and pages 34 to 44 (inclusive)) and pages 62 to 66 (inclusive); (e) the desirability to maintain a reputation for high standards of business conduct (see pages 25 to 35 (inclusive) and (f) the need to act fairly as between members of the company (see pages 62 to 66 (inclusive)).

NOMINATION COMMITTEE REPORT



Tim Jones
Nomination Committee Chair

NOMINATION COMMITTEE MEMBERS*

Tim Jones (Chair)
Non-Executive Director

Ian Wood
Non-Executive Director

Shelagh Hancock
Non-Executive Director

Stuart Lorimer
Non-Executive Director

Gillian Watson
Non-Executive Director

*As at the date of this report

INTRODUCTION

The Nomination Committee reviews the structure, size and composition of the Board and considers the optimal level of independence, diversity of skills, knowledge and experience required for the Board to operate effectively and deliver Group strategy. It oversees Board succession planning and is responsible for considering and making recommendations on the appointment of Executive and Non-Executive Directors.

The Committee also evaluates succession planning for the Board and the senior managers to anticipate future vacancies arising due to promotion or retirement along with developments in the Group. In performing its responsibilities, the Committee gives full consideration to the requirements of good governance and to the benefits of diversity (whether cultural, ethnic, gender or otherwise) both within the Board and across the Group's leadership teams.

NOMINATION COMMITTEE REPORT CONTINUED

Committee membership

The Committee currently comprises the Chair, Tim Jones and four independent Non-Executive Directors: Ian Wood, Shelagh Hancock, Stuart Lorimer and Gillian Watson. Peter Page chaired the Nomination Committee for part of the year, handing over to Tim Jones following the General Meeting of the Company on 2 May 2023. Peter stood down from the Board on 17 November 2023. John Worby was a member of the Committee throughout FY23 and stood down from the Board on 31 October 2023. Gillian Watson joined the Board on 9 October 2023, also becoming a member of the Committee.

Meetings in the year

The Committee met on two scheduled occasions during the financial year. Details of meetings of the Committee and attendance can be found on page 55. Several unscheduled Nomination Committee meetings were also held during the financial year ended 2 September 2023 in relation to Board changes.

Responsibilities and activities of the Committee

The key areas of activity over the financial year ended 2 September 2023 are shown opposite alongside the key responsibilities of the Committee. In some instances, the activities noted spanned more than one financial year.

Further details of the responsibilities of the Committee can be found in the Nomination Committee's Terms of Reference located at www.carrsgroup.com/corporate-governance/.

Key Responsibilities of the Committee	Activities during the year
Reviewing the structure, size and composition of the Board and monitoring the range of skills, knowledge and experience required for the Board to operate effectively and to deliver the Group's strategy.	<ul style="list-style-type: none"> Review of Director skills to assess the range of skills, attributes and experience on the Board, to ensure that it remains effective, balanced and suited to the Group's strategic priorities. Undertook an internal Board effectiveness review. General review of the structure, size, composition and diversity of the Board, its Committees and senior management across the Group.
Overseeing Board and senior management succession planning, including setting objective selection criteria and transparent recruitment processes, and making recommendations to the Board in relation to the appointment of Executive and Non-Executive Directors.	<ul style="list-style-type: none"> Non-Executive Chair succession, with Tim Jones being appointed as Non-Executive Chair Designate for the Group. CEO succession with Peter Page appointed as CEO following the appointment of Tim Jones as Non-Executive Chair. CFO succession with the appointment of David White announced on 15 December 2022. Appointment of Martin Rowland to the Board on 6 March 2023. Non-Executive Director succession planning, with Gillian Watson being appointed to the Board on 9 October 2023, and appointed Senior Independent Director on 31 October 2023. Senior management succession planning. Further CEO succession, with David White appointed as CEO with effect from 17 November 2023 following Peter Page stepping down from the Board and leaving the Group. CFO succession with the appointment of Gavin Manson as a senior manager and CFO with effect from 13 November 2023. Appointment of Martin Rowland as Executive Director of Transformation with effect from 13 November 2023.
Setting the Group's policy on diversity and inclusion and overseeing its implementation in succession planning across the Group.	<ul style="list-style-type: none"> Implementation of the Board's policy on diversity and inclusion through succession planning and recruitment of Board members. Publication of the Board Diversity Policy on the Group's investor website www.carrsgroup.com/corporate-governance/.
Reviewing the leadership needs of the Group, both Executive and Non-Executive, to ensure the businesses operate effectively in their particular markets.	<ul style="list-style-type: none"> Training and development programmes expanded.
Reviewing the Committee's Terms of Reference to ensure it is operating effectively and reflects the Committee's remit and recommend any changes it considers necessary to the Board for approval.	<ul style="list-style-type: none"> Review and update the Committee's Terms of Reference – published on the Group's investor website www.carrsgroup.com/corporate-governance/.

Further information on the above activities is set out on the pages which follow.

Board composition

As part of the Group's succession planning and to ensure that the Board had the experience and skills to take the Group forward following the disposal of the Agricultural Supplies division, new Executive and Non-Executive Directors were welcomed to the Board during FY23.

Non-Executive Chair

During the financial year ended 2 September 2023, the Committee undertook a search for a Non-Executive Chair. The search was led by Senior Independent Director John Worby and the recruitment process was supported by recruitment consultants, Warren Partners. Details of the search process were outlined in the Nomination Committee Report in the 2022 Annual Report and Accounts (www.carrsgroup-ir.com/docs/librariesprovider17/archive/annual-interim-reports/2022-annual-report-and-account-xhtml-format.html) and are reproduced here for completeness. The search identified potential candidates based on experience and skills. A pool of 128 was identified, 76 of whom were approached, of which 43 were female. Of the 43 females who were approached, 39 either did not reply to the enquiry or did not pursue the role, principally due to timing of the opportunity. Three candidates were shortlisted, one being female. In November 2022 it was announced that Tim Jones was to be appointed as Non-Executive Chair. Tim joined the Board and became Non-Executive Chair on 21 February 2023. Following the General Meeting of the Company on 2 May 2023, Tim became Nomination Committee Chair taking over from Peter Page, and also became a member of the Remuneration Committee.

Non-Executive Directors

John Worby stood down as Audit Committee Chair following the General Meeting of the Company held on 2 May 2023 and, after nearly nine years at Carr's, retired from the Board on 31 October 2023 following a period of handover and support to new Non-Executive Directors. During his time at Carr's, the Board benefitted greatly from John's wisdom and experience and we wish him all the best for the future.

Following the Annual General Meeting on 21 February 2023, the Nomination Committee commenced a search for an additional Non-Executive Director to join the Group. The recruitment process was led by the Committee supported by Pure Executive. In selecting candidates for the role, a detailed profile matrix was developed that also included the position of Senior Independent Director, a role which had been fulfilled by John Worby. The Committee considered experience of public companies of similar scale to Carr's, sector experience as well as board committee experience. Important skills and characteristics as well as the balance of skills, experience and knowledge present across the Board, the culture of the Group and the benefits of diversity were also considered. 369 people were identified as potential candidates, of which eight were interviewed. The short-list comprised six individuals, all female and one from a diverse ethnic background. Following the Committee's recommendation, Gillian Watson was appointed to the Board on 9 October 2023 as an independent Non-Executive Director. Gillian was also appointed to the Nomination Committee, Audit Committee and Remuneration Committee and has the position of Senior Independent Director following John Worby's retirement from the Board on 31 October 2023.

On 6 March 2023, the Board was joined by Martin Rowland, who was appointed as a Non-Executive Director as a representative of Harwood Capital Management Limited ("Harwood") pursuant to a relationship agreement between the Company and Harwood. Martin has brought operational and strategic experience to the Board, as well as insights from executive and non-executive roles. On 13 November 2023, it was announced that Martin would be appointed as Executive Director of Transformation (see page 70).

Shelagh Hancock and Stuart Lorimer were appointed as Non-Executive Directors on 1 September 2022. In May 2023 Stuart was appointed Audit Committee Chair as successor to John Worby. Details of the recruitment process in relation to Shelagh and Stuart which took place during FY22 can be found in the Nomination Committee Report which is contained in the 2022 Annual Report and Accounts www.carrsgroup-ir.com/content/financial/reports.

Chief Executive Officer

In August 2022, following an extensive search by the Nomination Committee, Peter Page was asked to take on the Chief Executive Officer ("CEO") role once a new Non-Executive Chair was appointed and in place. Peter had been working in the Group since October 2021 full-time as Executive Chair, following agreement with the incumbent CEO, Hugh Pelham, that he would leave the Group and step down from the Board. Details of the recruitment process for the CEO role which took place during FY22 can be found in the Nomination Committee Report which is contained in the 2022 Annual Report and Accounts <https://www.carrsgroup-ir.com/content/financial/reports>. Peter Page became CEO upon the appointment of Tim Jones as Non-Executive Chair, which took effect on 21 February 2023. As announced in August 2023 and later updated on 13 November 2023, Peter Page stepped down from the Board and left the Group on 17 November 2023. The process to identify a successor to Peter Page was led by Tim Jones as Chair of the Nomination Committee. David White, who had joined the Board as Chief Financial Officer on 21 February 2023 and was considered by the Committee at that time to be a potential successor to the CEO role, was identified as a candidate for CEO. Following discussion and consideration of the scope and size of the Group following the disposal of the Agricultural Supplies division, the strategic plan and the need for an efficient and orderly handover of responsibilities, as well as previous experience in international senior leadership, operations and finance roles, the Nomination Committee recommended David as the new CEO. The recommendation was approved by the Board and as announced on 13 November 2023, David was appointed as CEO with effect from 17 November 2023.

NOMINATION COMMITTEE REPORT CONTINUED

Chief Financial Officer

During the financial year ended 2 September 2023 the Committee undertook a search for a new Chief Financial Officer ("CFO"). David White joined the Group on 3 January 2023 and became CFO in succession to Neil Austin, who stood down as CFO and from the Board on 21 February 2023. Details of the search process were outlined in the Nomination Committee Report which is contained in the 2022 Annual Report and Accounts <https://www.carrsgroup-ir.com/content/financial/reports> and are reproduced here for completeness. The recruitment process was led by the Committee and supported by recruitment consultants, Russell Reynolds. Russell Reynolds searched a large pool of potential candidates aimed at producing a diverse selection. Of a candidate pool of 135, 21 were female. The Committee considered experience and skills, as well as sector experience and culture of the Group. David joined the Board on 21 February 2023 as CFO. On 13 November 2023, it was announced that following the Committee's recommendation, David White would be appointed Chief Executive Officer with effect from 17 November 2023. Following a recruitment process supported by recruitment consultants

Eton Bridge, and in accordance with the Committee's Terms of Reference¹, the Committee recommended to the Board the appointment of Gavin Manson as the new CFO taking effect from 13 November 2023. Gavin has not been appointed to the Board but, as the CFO, attends Board meetings by invitation.

Executive Director of Transformation

It was announced on 13 November 2023 that Non-Executive Director Martin Rowland would be appointed Executive Director of Transformation with effect from 13 November 2023. The appointment of an Executive Director of Transformation was led by Nomination Committee Chair, Tim Jones. The Committee considered the role complimentary to the existing Executive Director positions and considered the skills and experience the role would require to effectively implement the Group's strategic plan. The Committee recommended to the Board that, given his experience in operational and strategic positions in mid-size and large corporates as well as his executive and non-executive board experience, Martin Rowland be appointed as Executive Director of Transformation. The recommendation was approved by the Board.

Committee succession

Changes in Committee membership reflect the Company's Non-Executive succession planning. Following the General Meeting of the Company on 2 May 2023, Tim Jones succeeded Peter Page as Nomination Committee Chair and also became a member of the Remuneration Committee, and Stuart Lorimer succeeded John Worby as Audit Committee Chair. In October 2023, Gillian Watson joined the Nomination Committee, the Audit Committee and the Remuneration Committee on 9 October 2023 and John Worby stepped down from the Board and its three Committees on 31 October 2023. Peter Page stepped down from the Board and the Nomination Committee and left the Group on 17 November 2023.

As at the date of this report, Board Committee membership is as following:

Nomination Committee	Audit Committee	Remuneration Committee
Tim Jones (Chair)	Stuart Lorimer (Chair)	Ian Wood (Chair)
Ian Wood	Ian Wood	Shelagh Hancock
Shelagh Hancock	Shelagh Hancock	Stuart Lorimer
Stuart Lorimer	Gillian Watson	Gillian Watson
Gillian Watson		Tim Jones

¹ The Committee's Terms of Reference state that the Nomination Committee is required to make recommendations to the Board concerning suitable candidates as successors for existing Directors.

Group succession planning and development

The Group's succession planning focuses upon ensuring that sufficient appropriately qualified and experienced employees are recruited or developed internally to meet the future management and leadership needs of the Group. Recruitment processes for leadership and senior positions across the Group are managed under the supervision of the Senior HR leadership, inviting both internal and external candidates. Independent recruitment consultants are also appointed where appropriate.

Across the Group, our career pathway and employee development initiatives continue to evolve and are designed to attract, retain and develop the best talent. Further details of those initiatives are described from pages 26 and 27. During the year, the Senior HR leadership met with the Committee to review succession planning for senior management and key personnel, together with leadership development initiatives and training programmes across the Group.

Diversity and inclusion

As at the date of this report, employee numbers were 660 across five countries. The table below shows the gender breakdown across the Group.

The Group's principal concern when making employment decisions is ensuring that candidates possess the skills, knowledge and experience, or the potential to develop the required skills, knowledge and experience, to meet the requirements of the Group.

All appointments, whether external recruitments or internal promotions, are based on merit, and are not influenced or affected by race, colour, nationality, religion or belief, gender, marital status or civil partnership, family status, pregnancy or maternity, sexual orientation, gender reassignment, disability, or age. There are no differences in pay structures for persons of different genders performing similar roles.

The Nomination Committee recognises that diversity strengthens the Board, and that it is important to ensure that it is not solely comprised of like-minded individuals with similar backgrounds. The Group is committed to extending diversity throughout the organisation. Successful delivery of the Group's strategy depends on the recruitment and retention of a motivated and skilled workforce in an increasingly competitive labour market. The Board recognises that steps taken to improve diversity in the workplace increase the attractiveness of the Group to prospective employees and enhance the available talent pool. Details of Board diversity, including the Board Diversity Policy, can be found on pages 53, and details on diversity and inclusion for all employees including senior managers can be found on pages 26 and 27, and page 53.

Director independence

Details relating to Director independence can be found in the Corporate Governance Report on page 54.

Gender breakdown	Total	Male	Female
Group Employees	660	512	148
Senior Managers*	11	10	1
Direct Reports to Senior Managers	63	45	18

* Includes Executive Director with direct reports.

Board evaluation

In August 2023 an internal Board effectiveness review was undertaken. Details of the process and its outcomes are set out in the Corporate Governance Report on pages 58 to 60 (inclusive).

Committee effectiveness

The effectiveness of the Committee was considered as part of the Board's internal effectiveness evaluation described on pages 58 to 60 (inclusive). The feedback was that the structure of the Committee worked well and was in line with good practice including with respect to the number and roles of the independent Non-Executive Directors.

Director re-election

In accordance with best practice under the Corporate Governance Code, at the forthcoming Annual General Meeting to take place in February 2024, Tim Jones, Ian Wood, Shelagh Hancock, Stuart Lorimer and David White will each stand for re-election to the Board. Martin Rowland and Gillian Watson will each stand for election to the Board.

The Board will set out in the Notice of Annual General Meeting its reasons for supporting the re-election or election of each Director. Their biographical details on pages 48 and 49 demonstrate the range of experience which each brings to the benefit of the Group.

The Nomination Committee Chair will attend the Annual General Meeting to respond to any shareholder questions that might be raised on the Committee's activities.



Tim Jones
Nomination Committee Chair
20 December 2023

AUDIT COMMITTEE REPORT



Stuart Lorimer
Audit Committee Chair

AUDIT COMMITTEE MEMBERS*

- Stuart Lorimer (Chair)**
(Non-Executive Director)
- Ian Wood**
(Non-Executive Director)
- Shelagh Hancock**
(Non-Executive Director)
- Gillian Watson**
(Non-Executive Director)

*As at the date of this report

INTRODUCTION

The Audit Committee focuses on effective governance and financial reporting. It assists the Board in discharging its responsibilities for the integrity of the financial statements and narrative reporting, the effectiveness of internal controls, the identification and management of risks, and the external and internal audit processes.

The report on the pages which follow details the principal activities of the Committee during the year, together with information on its governance.

Committee membership

During the year the Committee comprised four independent Non-Executive Directors: John Worby, Stuart Lorimer, Shelagh Hancock and Ian Wood. John Worby stood down as Chair of the Committee following the General Meeting on 2 May 2023 and was succeeded by Stuart Lorimer, who is a qualified accountant with recent and relevant financial experience (see page 49). Since being appointed as a Non-Executive Director on 9 October 2023, Gillian Watson has joined the Committee and is the Senior Independent Director.

The Committee acts independently of management, and the Board is satisfied the Committee taken as a whole has the appropriate skills, knowledge, experience, and understanding of the Group's undertakings to effectively discharge the Committee's responsibilities.

Meetings in the year

The Committee met on five scheduled occasions during the financial year (details of attendance can be found on page 55) and has an agenda linked to the Group financial calendar. The meetings are attended by the Committee members and, by invitation, the Executive Directors, representatives from the external auditor and other senior finance personnel. During the year, the Committee regularly met privately with the external auditor.

Several additional, previously unscheduled, Board and Audit Committee meetings were held during the financial year ended 2 September 2023 in relation to the delayed announcement of FY22 year-end results and subsequent suspension of share trading.

Responsibilities of the Committee

The primary role of the Committee is to assist the Board in fulfilling its oversight responsibilities. This includes providing effective governance over the integrity of the Group's financial reporting and the effectiveness of its systems of internal control and risk management. These responsibilities drive the main activities of the Committee as noted below. In some instances, the activities noted spanned more than one financial year.

Responsibilities of the Committee	Activities during the year
Financial Reporting	
<ul style="list-style-type: none"> Reviewing and monitoring the integrity of the Group's financial statements and related narrative reporting including the appropriateness of the Group's accounting policies. Considering the process for assessing the Group's prospects and the disclosures made in the Viability Statement in the Annual Report and Accounts. 	<ul style="list-style-type: none"> Reviewed and challenged key financial reporting judgements and estimates. Reviewed the Group's going concern and viability statement disclosures. Reviewed and approved the Alternative Performance Measures used by the Group, including Adjusting Items.
<ul style="list-style-type: none"> Where requested by the Board, providing advice on whether the Annual Report and Accounts, taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. 	<ul style="list-style-type: none"> Reviewed the Group's disclosures in respect of the Task Force on Climate-related Financial Disclosures. Reviewed the Group's financial statements and narrative to ensure that this is fair, balanced and understandable. Reviewed the three-year time horizon for the Group's Viability Statement. Reviewed the Group's budget, forecasts and sensitivity analysis, and concluded that the Group is viable over the three-year time horizon.

AUDIT COMMITTEE REPORT CONTINUED

Responsibilities of the Committee continued

Responsibilities of the Committee	Activities during the year
External audit	
<ul style="list-style-type: none"> Reviewing and monitoring the scope and effectiveness of the external audit, taking into consideration relevant professional and regulatory requirements. Considering the independence and objectivity of the external auditor, and the Group's policy on the engagement of the external auditor to supply non-audit services. 	<ul style="list-style-type: none"> Reviewed the audit strategy and plan. Agreed the terms of engagement and remuneration of the external auditor. Reviewed the Group's policy for non-audit work and monitored the independence of the external auditor. Discussed and agreed on external auditor recommendations to improve year end reporting and audit process following difficulties experienced in the FY22 year-end close process. Discussed with the external auditor those issues requiring judgement and estimation, including significant debate on the accounting treatment related to the disposal of the Agricultural Supplies division.
Internal control and risk management	
<ul style="list-style-type: none"> Reviewing the effectiveness of the Group's internal financial controls, and other systems of internal control and risk management. 	<ul style="list-style-type: none"> Reviewed the Group's internal controls and risk management systems, as well as the Group Risk Register. Discussed the risk from cyber attacks and challenged adequacy of preventative measures in place. Considered key areas of risk identified by the external auditor, including management override of controls and revenue recognition on contracts in the Engineering division. Assessed progress made in addressing control concerns raised by the external auditor during FY22 in those subsidiaries affected. Considered and agreed re-prioritising of ERP implementation to enable decoupling of Agricultural Supplies IT systems.
Internal audit	
<ul style="list-style-type: none"> Reviewing the scope and effectiveness of the internal audit function. 	<ul style="list-style-type: none"> Reviewed and challenged the work of the Group's internal auditor. Reviewed the internal audit work plan for the year and the effectiveness of the internal audit function. Agreed terms of reference and supplier selection for outsourcing the internal audit function in the coming year.
Whistle blowing and anti-bribery	
<ul style="list-style-type: none"> Review of the Group's whistleblowing and anti-bribery policies and arrangements. 	<ul style="list-style-type: none"> Reviewed the Group's whistleblowing policy. Reviewed the Group's anti-bribery policy. Reviewed on behalf of the Board any whistleblowing or similar reports together with their resolution.

Members of the Committee were also involved in the selection process for the incoming Chief Financial Officer (David White) who became a member of the Board on 21 February 2023. Details of this process are contained in the Nomination Committee Report on page 70. The Committee reviews its Terms of Reference regularly and makes recommendations to the Board for any appropriate changes (the Committee's Terms of Reference can be found on the Group's website at www.carrsgroup.com/corporate-governance/). The most recent update to the Terms of Reference was made following the October 2023 Committee meeting. The Committee regularly reports to the Board on how it discharges its responsibilities.

Details on specific work undertaken during the year are set out below:

Review of key judgements and estimates

An important responsibility of the Committee is to review and agree significant estimates and judgements made by management. To satisfy this responsibility, the Committee reviewed detailed written reports from the Chief Financial Officer and the external auditor at its meetings, to review the half-year and year end results. The Committee carefully considered the content of these reports in evaluating the significant issues and areas of judgement across the Group.

The key areas of judgement in the year were as follows:

- **Revenue recognition in relation to Engineering:** ISA (UK) 240 presumes a risk of revenue misstatement due to improper recognition. The key risk to revenue recognition is judged to be in relation to the recognition of revenue and profit on engineering contracts, the completion or final agreement of which extend beyond the year end. To assess the risk to the Group, the Committee reviewed reports from management and the external auditor on the application of revenue recognition policies by management to major contracts not completed or finalised at the year end. The Committee reviewed whether the change in approach to revenue recognition, related to the identification of specific performance obligations on Mechanical Stress Improvement Projects ("MSIP"), made during the prior year had been consistently applied across all new contracts won during the current year. The issues which had been raised in the prior year, including the separation of performance obligations and consideration on enforceable rights to payment were also considered by the Committee. In relation to FY23, judgement was made regarding variable consideration on a single contract, on which work was completed but goods were not delivered. In light of a financial settlement with this customer, the Committee accepted management's recommendations to recognise revenue to the value of that settlement. No material adjustments have been deemed necessary during the FY23 year-end close process.
- **Potential goodwill impairment:** The Committee challenged the reasonableness of the future business performance assumptions adopted by management for those businesses that had underperformed against expectations in light of historical performance and market trends. The Committee also reviewed the assumptions underlying the discount rates used in the evaluation. The Committee concurred with management's view that goodwill of £1.7m held in Animax Limited required impairment in full, together with an impairment of £0.3m against Animax's other intangible assets, and goodwill held in NW Total Engineered Solutions Ltd required a partial impairment of £1.8m but that no further goodwill impairment was

required across the Group. Details of the goodwill impairment review are contained in note 12.

- **Defined benefit pension scheme:** The Committee considered valuations of the scheme's investments, and the key actuarial assumptions used to value the scheme obligations. The assumptions made were reviewed against market data in conjunction with independent actuarial specialists to assess their appropriateness, and the disclosures on the sensitivity of the obligations to changes in such assumptions were reviewed. The Committee was satisfied that the scheme's assets were appropriately valued, that the assumptions adopted in relation to the scheme's liabilities were appropriate, and that disclosures made in relation to the scheme were appropriate.
- **Disposal of the Agricultural Supplies division:** The Committee reviewed the accounting treatment related to the sale of the Agricultural Supplies business and agreed with management's assessment that the measurement to fair value less costs to sell of this division was misstated in the prior year financial statements. Two specific errors were identified. Firstly, the prior year loss recognised had been calculated on the difference between estimated proceeds receivable and net assets of the two businesses where the direct shareholding was being sold. This has been corrected to also include the Group's interest in the joint venture, Bibby Agriculture Ltd, indirectly held by the Company through its ownership of Carr's Billington Agriculture (Sales) Ltd, together with consolidation adjustments to the assets and liabilities included in the overall Group net assets being disposed of. This adjustment totalled £2.9m, of which £2.7m was included in the results published for the period to 4 March 2023, meaning a restatement of H1 FY23 comparatives will be required in the next interim statement. Secondly, new information was identified during the second half of FY23 which requires a correction to FY22 to reflect property rental terms agreed with the Billington Group as part of the sale negotiations. This increased the loss on measurement of fair value less costs to sell by £1.2m. The combined impact of these is an increase in the loss on measurement to fair value less costs to sell of £4.1m, £2.4m of which is attributable to the Group, with the remainder being the non-controlling interest's share in the

measurement impairment. Details of the prior year restatements are contained in note 39 to the Accounts. The Committee also agreed that a correction to the expected proceeds from the disposal was required, to accurately reflect the final completion accounts produced during the current financial year.

Going concern and viability statement

The Committee reviewed management's reports regarding the going concern assumption and the Viability Statement disclosures. Specific focus was given to the assumptions used in cash flow forecasts, given historic forecasting accuracy, while the sensitised scenario analyses and analysis of financing headroom were also scrutinised. The Committee also reviewed reports from the external auditor in relation to the appropriateness of the period of viability considered by management and the risks and scenarios applied. Considering all available information, including ongoing inflationary pressures, divisional trading sensitivities and challenging the assumptions adopted by management, the Committee was satisfied that the going concern assumption remained appropriate, and that disclosures in the Annual Report in relation to going concern and the Viability Statement were appropriate.

TCFD Disclosures

The Committee reviewed the TCFD disclosures and a report prepared by the Group's Environment and Sustainability Manager which considered the accuracy of reported Scope 1 and Scope 2 emissions. The Committee was satisfied with the reasonableness of the disclosures and acknowledged that, while the TCFD disclosures were an improvement on the prior year, further work to enhance these is underway. The quality of these disclosures will also benefit from the significant activities that are ongoing in this area.

AUDIT COMMITTEE REPORT CONTINUED

Fair, balanced and understandable

The Committee, further to the Board's request, reviewed the Annual Report, and provided advice to the Board in relation to whether the Annual Report, taken as a whole, is considered fair, balanced, and understandable, and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy. To make this assessment, the Committee reviewed a report prepared by the Chief Financial Officer outlining key matters and circumstances affecting the Group. The Committee was satisfied that such matters were adequately referenced or reflected within the Annual Report.

Internal control and risk management

During the year the Committee monitored the effectiveness of the Group's internal control and risk management systems. Specifically, the Committee considered whether concerns raised by the external auditor during the FY22 year-end process had been addressed and any issues raised had been satisfactorily closed. The Committee also reviewed the FY23 report prepared by the external auditor to assess whether improvements in the control environment had been made.

The Committee reported to the Board that it was satisfied with the overall effectiveness of the Group's internal control and risk management systems.

External audit

The reappointment of Grant Thornton as the Group's external auditor was recommended by the Board and approved by shareholders at the General Meeting held on 2 May 2023.

The Audit Committee assessed the expertise and independence of Grant Thornton during the year, as well as consideration of the terms of engagement and remuneration. Grant Thornton's audit partner is Michael Frankish, and this is his second year in that role.

The Committee reviewed Grant Thornton's detailed audit plan presented by it in June 2023 as well as an updated audit plan and progress report presented in October 2023, with the aim of a timelier audit completion than in the prior year. The prolonged prior year end process meant that no formal assessment, by questionnaire, of the effectiveness of the external auditor was completed. Its performance was assessed by the Committee, with the decision made to recommend the reappointment of Grant Thornton as auditor for the financial year to 2 September 2023.

External auditor independence

The Committee regularly reviews the objectivity and independence of the external auditor. The external auditor confirms compliance with its own internal policies and procedures designed to ensure that it complies with UK regulatory and professional standards, including ethical standards, and to ensure that its objectivity is not compromised.

The Committee also annually reviews the Group's non-audit services policy, updating and approving the policy where appropriate. The objective of the policy is to ensure that the provision of any such services does not impair, or is not perceived to impair, the external auditor's independence or objectivity. The policy imposes guidance on the areas of work that the external auditor may be asked to undertake and those assignments where the external auditor should not be involved. The policy can be viewed on the Group's website www.carrsgroup-ir.com.

To ensure that the policy is effective, and the level of non-audit fees is kept under review, all non-audit services must be approved by the Chief Financial Officer and reported to the Committee. Prior approval of the Committee is also required before the external auditor is engaged to provide non-audit services costing over £25,000 in aggregate. During the year, no non-audit services were provided to the Group by Grant Thornton.

The Committee considers Grant Thornton to remain independent and recommended to the Board that Grant Thornton be reappointed as the Group's external auditor.

Internal audit

The Committee is responsible for monitoring the performance and effectiveness of the Group's internal audit activities.

At the beginning of the financial year, the Committee was presented with an internal audit plan, which had been devised from assessments of the Group's operations and risk framework. As a result of the concerns raised by the external auditor and from internal control reviews, this plan was amended to focus on business-specific risks identified by senior management. Financial reviews were performed by the Head of Internal Audit, as well as other senior members of the Group finance team, to ensure control concerns had been addressed and to maintain consistency of reporting processes.

On an annual basis, the Committee also reviews and approves the Group's internal audit charter which describes the role and mandate of the internal audit function.

The Committee keeps the performance and effectiveness of the internal audit function under review, assessing the capacity, experience and expertise within the internal audit function against the existing and emerging risks in the Group. While the Committee was satisfied that the internal audit function operated effectively, it agrees with the recommendation from management that outsourcing internal audit services will provide more comprehensive coverage of identified risks. A provider has been identified, and engaged, and a plan of activities agreed with the Committee. This plan will be regularly reviewed to respond to any emerging risks or challenges.

Committee effectiveness

The effectiveness of the Committee was considered as part of the Board's internal effectiveness evaluation described on pages 58 to 60 (inclusive). Feedback from the evaluation confirmed that the Committee continues to operate effectively and fulfil its responsibilities.

Stuart Lorimer will be available at the forthcoming Annual General Meeting to be held in February 2024 to respond to any shareholder questions that might be raised on the Committee's activities.



Stuart Lorimer
Audit Committee Chair

20 December 2023

REMUNERATION COMMITTEE REPORT



Ian Wood
Remuneration Committee Chair

REMUNERATION COMMITTEE MEMBERS*

Ian Wood (Chair)
Non-Executive Director

Shelagh Hancock
Non-Executive Director

Stuart Lorimer
Non-Executive Director

Gillian Watson
Non-Executive Director

Tim Jones
Non-Executive Director

*As at the date of this report

INTRODUCTION

The Committee's report is presented in the following sections:

- 1. This Annual Statement**, which highlights some of the key considerations for the Committee during the year and forms part of the Annual Report on Remuneration.
- 2. The Annual Report on Remuneration**. The Report sets out how the Directors' Remuneration Policy was applied in FY23; provides details of the remuneration received by Directors relating to the financial year ended 2 September 2023; and outlines how the policy will be applied during FY24. The Annual Report on Remuneration will be subject to an advisory shareholder vote at the forthcoming Annual General Meeting to take place in February 2024.
- 3. The Directors' Remuneration Policy**. The Directors' Remuneration Policy sets out the Policy for the Executive Directors, the Chair and Non-Executive Directors. The Directors' Remuneration Policy will be put to shareholders at the forthcoming Annual General Meeting to take place in February 2024. A copy of the policy can be found on pages 93 to 101 (inclusive). Changes to the previous policy, which was approved by shareholders at the Annual General Meeting on 12 January 2021, are summarised in the Notice of Annual General Meeting.

Note: Certain figures contained in the Committee's report have been rounded to the nearest whole number or nearest decimal place. Therefore the sum of the numbers in a row or column may not conform exactly to the total figure give for that row or column.

1. ANNUAL STATEMENT FROM THE CHAIR OF THE REMUNERATION COMMITTEE

Performance and remuneration in FY23

Performance outcomes are reflected in the remuneration received by Executive Directors, based on financial and non-financial targets. The financial and non-financial targets set by the Committee, together with the resulting remuneration payable to the Executive Directors, are detailed in the Remuneration Committee's Report which follows.

As described in the Strategic Report, adjusted profit before tax for the full Group was £7.5m, 33.2% below the prior year (2022: £11.2m). Adjusted earnings per share decreased from 10.0p in 2022 to 6.2p.

Full year performance fell short of the original budget set by the Board with the result that no annual bonus relating to financial targets was payable to the Executive Directors. Notwithstanding this financial performance, good progress was made towards achieving non-financial targets (see pages 84 and 85 for details) and in positioning the business well for future growth. Non-financial targets were achieved, in part, during the year. It was determined that an annual bonus would be payable to David White (see pages 84 and 85). It was agreed that no bonus relating to FY23 non-financial targets would be paid to Peter Page. Peter stood down from the Board and left the Group on 17 November 2023. No bonus relating to FY23 was payable to Neil Austin who stood down from the Board and left the Group on 21 February 2023.

The performance period of the 2020 Long Term Incentive Plan ("LTIP") awards ended at the end of FY22 but, because average adjusted EPS growth was below the threshold set by the Committee upon granting the awards, no long-term awards vested.

The Committee is satisfied that the Remuneration Policy operated as intended in the financial year ended 2 September 2023, and that remuneration outcomes for Executive Directors aligned with Group strategy and shareholders' interests.

Full details of the remuneration targets set by the Committee, together with performance against those targets and the remuneration outcomes for FY23, are contained within the Annual Report on Remuneration which follows from page 81.

Key matters considered in FY23

Remuneration Policy

During the year, the Committee undertook a review of its existing Directors' Remuneration Policy. The proposed policy, which will be put to shareholders at the forthcoming Annual General Meeting to take place in February 2024, includes certain changes designed to ensure that it remains in line with corporate governance best practice and ensures that the Committee have sufficient flexibility to align remuneration with strategy. The Group's current Policy was approved at the Annual General Meeting which took place on 12 January 2021, with the support of 99.7% of proxy votes. The current policy can be found on pages 67 to 73 (inclusive) of the 2022 Annual Report and Accounts which is available to view online at www.carrsgroup-ir.com/content/financial/reports. Details of the proposed policy can be found at pages 93 to 101 (inclusive) of this report.

General Meeting on 2 May 2023

At the General Meeting which took place on 2 May 2023, whilst the resolution to approve the Group's Remuneration Report was approved by the requisite majority, 23.3% of shareholder votes were cast against. The Remuneration Committee Chair subsequently undertook an engagement exercise with shareholders to discuss this voting outcome. Our eight largest shareholders, representing just over 50% of the shares on our shareholder register were contacted. This dialogue was not limited to discussion on the relevant vote, with feedback also being invited on the proposed Remuneration Policy which is being put to shareholders at the Annual General Meeting to take place in February 2024.

The feedback received regarding the forthcoming Remuneration Policy, largely focused on shareholders seeking confirmation that the proposed Remuneration Policy fully aligned Executive remuneration with the agreed strategy of the Company. The Committee has reflected on this, and is confident that the proposals support the strategy going forward, noting the increased flexibility on performance conditions under the new Policy. The perspectives of our major shareholders are valued and we welcome input into the Committee's deliberations. We would like to thank shareholders for engaging with us over this matter.

Review of performance measures under the Long-Term Incentive Plan ("LTIP")

On 26 October 2022, the Group completed the disposal of its interests in the Agricultural Supplies division following approval at a General Meeting on 19 September 2022. The Board considered the disposal to significantly enhance the Group's prospects and ability to deliver the Group's strategy of achieving growth in shareholder value.

REMUNERATION COMMITTEE REPORT CONTINUED

Following the disposal, the Remuneration Committee undertook a review of the Group's long-term incentive arrangements for Executive Directors, with support from advisers at PricewaterhouseCoopers LLP to ensure that these remain closely aligned with Group strategy.

In prior years, long-term incentive awards were made subject to a single adjusted Earnings Per Share performance measure. Following its review, the Committee considered that the introduction of a second performance measure, based upon Total Shareholder Return ("TSR"), would more closely align long-term incentives with shareholders' interests and Group strategy. The Committee proposed to make 25% of long-term incentive awards subject to stretching targets based upon TSR (with the balance remaining subject to growth in adjusted EPS). Given the scale of the Group and the nature of its operations, it was considered appropriate to measure TSR relative to the performance of the FTSE Small Cap index (excluding investment trusts), ensuring that performance targets remain stretching.

The Remuneration Committee Chair sought the views of certain major shareholders and, following responses from the shareholders consulted, the Committee implemented the above change in performance measures under the LTIP for Executive Directors.

New LTIP and renewal of DBSP

During the financial year ended 2 September 2023, the Committee approved a new long-term incentive plan and renewal of the deferred bonus share plan. As described on page 66 of the 2022 Annual Report and Accounts which is available to view online at www.carrsgroup-ir.com/content/financial/reports, the Committee reviewed the Group's discretionary share plans during FY22. The Committee considered the Carr's Milling Industries Long-Term Incentive Plan 2013 ("2013 LTIP"), noting that awards under the 2013 LTIP could be made for up to ten years from the date of its approval, meaning that a replacement plan was required to enable long-term incentive awards to continue to be made.

The Committee thought it to be appropriate to replace the 2013 LTIP with a scheme designed on similar terms to those existing (updated where required). The Committee also decided to review and update the Carr's Group plc 2018 Deferred Bonus Share Plan ("2018 DBSP") at the same time and seek shareholder approval in relation to the two new updated plans. The plans were approved at the Remuneration Committee Meeting on 6 December 2022 and approved by shareholders at the Annual General Meeting on 27 February 2023.

CEO arrangements FY22/FY23

As previously reported in the 2022 Annual Report and Accounts, Peter Page had been acting as Executive Chair from 11 October 2021 until the appointment of a permanent CEO. In August 2022, following an extensive search by the Nomination Committee, it was announced that Peter Page would be appointed as the new CEO for the Group. New permanent executive remuneration arrangements were considered by the Committee and agreed with Peter Page details of which can be found in the Company's 2022 Annual Report and Accounts.

Board changes FY23/FY24

On 13 November 2023, changes to the Board were announced. Peter Page stepped down from the Board and left the Group on 17 November 2023, with David White who had been Chief Financial Officer appointed CEO. Martin Rowland, who was appointed to the Board as Non-Executive Director in March 2023, was appointed Executive Director of Transformation with effect from 13 November 2023. Gavin Manson also joined the Group as Chief Financial Officer, a non-Board position with effect from 13 November 2023.

Details of Peter Page's remuneration on departure which was agreed by the Committee can be found on page 88. The Committee, having consulted with external advisers PricewaterhouseCoopers LLP ("PwC") agreed the remuneration arrangements for David White as the new CEO, which other than a change in salary, extension of notice period and the introduction of a car allowance, the terms of David's existing service contract remain the same.

The Committee also consulted PwC, as well as law firm Ashurst LLP in relation to the remuneration arrangements for Martin Rowland as he moved from a Non-Executive Director to an Executive Director. Details of the remuneration arrangements for David White and Martin Rowland can be found on the pages which follow. In accordance with the Committee Terms of Reference, the Committee also considered the remuneration arrangements for Gavin Manson as CFO. As the role is not a Board position, the details of the terms of Gavin's appointment are not included in this report.

Remuneration in FY24

For FY24, the maximum annual bonus for the Executive Directors will remain 100% of salary, with 25% of any amount awarded being deferred for two years in the form of shares. The weighting between financial and non-financial targets will be linked to the specific role and duties of each Executive Director, with performance targets under each element also reflecting specific roles. Further details can be found on pages 91 and 92. Inflationary salary increases of 5% were awarded effective from 1 September 2023, which is consistent with the broader UK workforce.

I hope that shareholders are able to support the Remuneration Committee's Report and revised Remuneration Policy at the forthcoming Annual General Meeting of the Company.



Ian Wood

Remuneration Committee Chair

20 December 2023

2. ANNUAL REPORT ON REMUNERATION

This part of the Directors' Remuneration Report outlines the key considerations of the Committee during the year and sets out a summary of how the Directors' Remuneration Policy was applied for the financial year ended 2 September 2023.

REMUNERATION COMMITTEE

The role of the Committee

The primary role of the Remuneration Committee is to make recommendations to the Board on the Group's policy for Director remuneration. The Committee also has delegated responsibility for setting remuneration for the Company's Chair and Executive

Directors and senior management, including the Company Secretary, in accordance with the principles and provisions of the UK Corporate Governance Code (published July 2018) (the "Code").

Committee membership

During the financial year ended 2 September 2023, the Remuneration Committee comprised four independent Non-Executive Directors together with Tim Jones, who joined the Committee following the General Meeting of the Company held on 2 May 2023. The Committee members as at the date of this report are detailed on page 70. John Worby stood down from the Board on 31 October 2023, and Gillian Watson joined the Board on 9 October 2023, also becoming a member of the Committee.

The Executive Directors may attend meetings of the Remuneration Committee by invitation and in an advisory capacity only. No person attends any part of a meeting at which his or her own remuneration is discussed. The Chair and the Executive Directors determine the remuneration of the other Non-Executive Directors.

Meetings in the year

The Committee met on five scheduled occasions during the financial year. Details of attendance can be found on page 55. Several unscheduled Remuneration Committee meetings were also held during the financial year ended 2 September 2023 in relation to Board changes.

Responsibilities and activities of the Committee

The key areas of activity over the financial year ended 2 September 2023 are shown below alongside the key responsibilities of the Committee. In some instances, the activities noted spanned more than one financial year.

Key responsibilities of the Committee	Activities during the year
Determining the Directors' Remuneration Policy to ensure that it aligns with Group culture and strategy and market practice and to ensure that the Group rewards fairly and responsibly.	<ul style="list-style-type: none"> This year the Remuneration Committee has undertaken a full review of the Remuneration Policy considering developments in Group strategy and emerging best practice, supported by advisers at PricewaterhouseCoopers LLP. Further to its review, the Committee has developed a new Directors' Remuneration Policy which will be put to shareholders at the forthcoming Annual General Meeting to take place in February 2024.
Determining the broad policy on Executive remuneration, and setting remuneration for the Chair, Executive Directors and senior management.	<ul style="list-style-type: none"> Reviewing levels of basic pay and remuneration structures for Executive Directors, the Chair and senior management. Determining new terms of appointment and remuneration arrangements for Peter Page as CEO. Determining remuneration arrangements for Tim Jones as incoming Non-Executive Chair. Determining remuneration arrangements for David White as incoming CFO. Determining remuneration arrangements for Martin Rowland as incoming Non-Executive Director. Determining exit arrangements for Neil Austin as outgoing CFO. Determining remuneration arrangements for Gillian Watson as incoming Non-Executive Director. Determining exit arrangements for Peter Page as outgoing CEO. Determining remuneration arrangements for David White as incoming CEO. Determining remuneration arrangements for Martin Rowland as Executive Director of Transformation. Determining remuneration arrangements for incoming CFO, Gavin Manson as successor to an existing director.

REMUNERATION COMMITTEE REPORT CONTINUED

Key responsibilities of the Committee	Activities during the year
Determining targets and outcomes for performance-related pay schemes of the Executive Directors and senior management.	<ul style="list-style-type: none"> Developing and agreeing performance-related targets (both financial and non-financial) for Executive Directors and oversight of targets and performance for senior management in line with strategy. Determining outcomes against previously agreed targets for Executive Directors and senior management.
Reviewing the design of any share incentive plans for approval by the Board and/or shareholders.	<ul style="list-style-type: none"> Approving new and updated discretionary share plans for the Group on 6 December 2022, as put to shareholders and approved at the AGM on 27 February 2023. Reviewing LTIP performance measures for Executive Directors. Reviewing the senior management incentive plan under the LTIP*
Reviewing remuneration trends, employment conditions and policies across the Group.	<ul style="list-style-type: none"> Overseeing wider workforce remuneration in the context of fairness and wider economic factors. Considering pay and benefits structures across the Group (including gender pay gap reporting and CEO pay ratios).
Engaging with stakeholders on matters within its remit.	<ul style="list-style-type: none"> Engaging with shareholders on: <ul style="list-style-type: none"> New Remuneration Policy LTIP performance measures 2022 Remuneration Report
Arranging for periodic reviews of its own performance and its Terms of Reference to ensure it is operating at maximum effectiveness.	<ul style="list-style-type: none"> Considering outcomes from the Board's review of the Committee's effectiveness. Review and update the Committee's Terms of Reference – published on the Group's investor website https://www.carrsgroup-ir.com/. Considering the Code and developing remuneration trends, and their impacts on the activities of the Committee and the Remuneration Policy.

* When reviewing the incentive structure for senior management, the Committee considers and ensures that any ESG risk is not raised by inadvertently motivating irresponsible behaviour.

Further details of the responsibilities of the Committee can be found in the Remuneration Committee's Terms of Reference located at <https://www.carrsgroup.com/corporate-governance/>.

Further information on each of the above activities is set out on the pages which follow.

FY23 Remuneration (audited information)

In this section we summarise the pay packages awarded to our Executive Directors and Non-Executive Directors for performance in FY23 versus FY22. The table below shows all remuneration that was earned by each individual during the year and includes a single total remuneration figure for the year.

£'000	Salary/Fees		Benefits		Pension		Total fixed pay		Bonus		LTIP		Total variable pay		Total remuneration	
	FY23	FY22	FY23	FY22	FY23	FY22	FY23	FY22	FY23	FY22	FY23	FY22	FY23	FY22	FY23	FY22
Executive Directors																
Peter Page ¹	368*	297	–	–	–	–	368	297	–	–	–	–	–	–	368	297
David White ²	142	–	1	–	10	–	153	–	22	–	–	–	22	–	175	–
Neil Austin ³	136*	256	1	2	2	10	139	268	–	108	–	–	–	108	139	376
Non-Executive Directors⁴																
Peter Page ¹	–	15	–	–	–	–	–	15	–	–	–	–	–	–	–	15
John Worby	43	41	–	–	–	–	43	41	–	–	–	–	–	–	43	41
Ian Wood	43	41	–	–	–	–	43	41	–	–	–	–	–	–	43	41
Shelagh Hancock	43	–	–	–	–	–	43	–	–	–	–	–	–	–	43	–
Stuart Lorimer	43	–	–	–	–	–	43	–	–	–	–	–	–	–	43	–
Tim Jones ⁵	50	–	–	–	–	–	50	–	–	–	–	–	–	–	50	–
Martin Rowland ⁶	21	–	–	–	–	–	21	–	–	–	–	–	–	–	21	–

* Salary for FY23 includes cash in lieu of pension contribution.

1 Figures for FY22 reflect services as Non-Executive Chair until 11 October 2021 and services as Executive Chair under interim arrangements from 11 October 2021. Figures for FY23 reflect services as Chief Executive Officer from 1 September 2023.

2 Figures for FY23 are reflective of eight months' service in FY23. The value in the table above in relation to the FY23 bonus includes 25% deferred in line with the Group's Remuneration Policy.

3 Figures for FY23 are reflective of six months' service in FY23. The value in the table above in relation to the FY22 bonus includes 25% deferred in line with the Group's Remuneration Policy.

4 Gillian Watson joined the Board on 9 October 2023 and is therefore not included in the table above.

5 Figures for FY23 are reflective of six months' service in FY23.

6 Figures for FY23 are reflective of six months' service in FY23.

REMUNERATION COMMITTEE REPORT CONTINUED

2023 Annual bonus pay-out

The annual bonus is calculated using a combination of financial and non-financial performance targets which are set with regard to Group budget, historic performance, market outlook and future strategy.

Financial targets

80% of the bonus was based on Group adjusted profit before tax ("PBT"). Adjusted PBT is calculated as reported PBT after adding back or deducting any one-off items outside of normal trading that were not anticipated at the time the performance targets were set, such as acquisition-related costs. The Group is committed to disclosing its performance targets retrospectively, other than where prevented due to commercial sensitivities. For the year ended 2 September 2023, the PBT targets were set in accordance with the table below.

Measure	Threshold	Target	Maximum
Adjusted PBT	10,368	10,913	11,458
Bonus (% of base salary)	0	40	80

Payments are adjusted on a straight-line basis between the targets set out above, although the Committee determined that no annual bonus would be payable in the event of performance below FY22 outturn adjusted PBT for the continuing Group (£11.2m).

For the year ended 2 September 2023, adjusted profit before tax for the Group was £7.5m. As this performance was below the threshold target, no bonus was payable to the Executive Directors in connection with the Group's financial targets.

Non-financial targets

Non-financial targets, which accounted for 20% of the bonus in the year, are assessed independently of financial performance. Details of certain key non-financial targets set by the Committee together with the performance against those targets are provided in the table below.

CFO targets FY23 (David White)

David White joined the Board as Chief Financial Officer from 21 February 2023. The following targets were set by the Committee and performance measured against the targets set.

Performance Measure	Target	Attainment	Commentary
Establish Task-Force on Climate Related Financial Disclosures ("TCFD") reporting	<ul style="list-style-type: none"> Complete climate scenario analysis "in 2023" to be undertaken with external expertise by 31 August 2023. Identify climate-related risks to be included in Group Risk Register and support action plans developed to mitigate these. Establish methodology for reporting Scope 3 emissions by 31 August 2023. 	45%	<ul style="list-style-type: none"> Climate-related risks have been reviewed, updated and included in the Group risk register. The associated action plans are being developed across the business.
Successfully complete CBAL transition activities during current financial year	<ul style="list-style-type: none"> Transfer and discontinue provision of IT services to Billington Group by 30 September 2023. Complete transfer of CBAL defined benefit pension scheme information and support by 31 August 2023. Transfer of all finance-related activities including completion accounts, taxation and statutory reporting by 31 August 2023. 	90%	<ul style="list-style-type: none"> Critical IT services, including the separation of the previously shared ERP system have been handed over to the Billington Group, while support on other matters has been transferred, subject to both businesses providing support to each other through the FY23 year-end process.

Performance Measure	Target	Attainment	Commentary
Improve the financial accounting environment	<ul style="list-style-type: none"> • Deliver a clean audit in accordance with listed company reporting requirements (at latest). • Closure of FY22 audit findings and control concerns raised by Grant Thornton by 31 July 2023. • Roll out updated accounting manual throughout the Group by 31 July 2023. • Assess effectiveness of financial controls by 31 August 2023 and create improvement plan by 31 October 2023. 	90%	<ul style="list-style-type: none"> • Annual Report and Accounts will be published before the end of December 2023, with the Annual General Meeting scheduled for early 2024. • Many of the control concerns raised in last year's audit have been closed, with a small number remaining open but being managed by the businesses impacted.

Following the year-end, the Committee considered outcomes against the non-financial targets. The table on the previous page and above summarises the Committee's assessment of performance against the targets together with the resulting bonus assessed as payable for David White as the only eligible Executive Director.

Overall, the Committee determined that it would award a bonus attributable to non-financial targets equal to 75% of the available opportunity (being 15% of the total available bonus).

The total annual bonus payable to David White was therefore 15% of salary or £22,000¹. In accordance with the Directors' Remuneration Policy, 25% of the bonus payable will be deferred in the form of shares for two years.

As noted on the previous page, no bonus was payable in connection with the financial targets.

In addition to the financial and non-financial performance indicators, the Committee retains full discretion when assessing performance outcomes to consider other factors, which may include environmental, social and governance considerations, in order to avoid formulaic outcomes where these would not be appropriate. In relation to the bonus awarded to David White for FY23, no discretions were applied. Other than the specific targets noted above, there were no other relevant ESG matters to be taken into account by the Committee when determining performance outcomes.

CEO targets FY23 (Peter Page)

Due to the performance of the Group falling short of the original budget for FY23, no annual bonus was payable relating to financial targets. It was agreed that Peter Page would not receive a bonus for FY23, therefore non-financial targets set for Peter Page as CEO were not assessed. Peter Page stood down from the Board and left the Group on 17 November 2023.

CFO targets FY23 (Neil Austin)

In August 2022, former CFO Neil Austin indicated his intention to leave Carr's Group to take up a new role. Neil Austin left the Group on 21 February 2023. Accordingly, he was not eligible for a bonus in FY23.

¹ Reflective of 8 months service in FY23.

REMUNERATION COMMITTEE REPORT CONTINUED

Long Term Incentive Plan determinations

The awards made to Executive Directors in 2020 were subject to average annual adjusted EPS growth targets over the three-year period ending on 2 September 2023 and from a base adjusted EPS of 11.9p. Details of the awards are in the table below:

Date of issue:	23 November 2020	Base EPS (p):	11.9p
Participant:	Neil Austin*	Number of Ordinary Shares subject to the award:	200,800
Assessment Criteria:		Target	Vesting
	Threshold	3% average annual growth	25%
	Maximum	10% average annual growth	100%
An award will vest on a straight-line basis once the minimum threshold of 3% average annual growth is achieved.			
Calculation of award:			
	Year	EPS	Growth
	2020	11.9	
	2021	13.2	+10.9%
	2022	13.7 (rebased to 10.0 – continuing operations only)	+3.8%
	2023	6.4 (continuing operations only)	-36%
	Average:		-5.9%
	Award:		0

* Neil Austin stood down from the Board and left the Group on 21 February 2023. In relation to LTIP awards, the Committee decided to extend 'good leaver' status to Neil in recognition of his role in the completion of the sale of the Agricultural Supplies division during the performance periods of the LTIP awards and on the basis that any preserved LTIP awards would be pro-rated to time served, and that the remaining amount of the LTIP preserved is linked to performance conditions of the Company in the future (based on adjusted Earnings Per Share performance measure). In relation to the award granted in FY21, no award vested (see above). In relation to the award granted in FY22, the performance conditions of the Company are yet to be tested but the award will be subject to a pro-rata adjustment to time served. No LTIP award was granted to Neil in FY23.

The average EPS growth over the three-year period from the base adjusted EPS was below the threshold target and, accordingly, none of the shares under the long-term awards made to Executive Directors in 2020 vested. No part of the vesting was linked to share price appreciation and no discretion was applied by the Committee. The Committee always takes into consideration matters impacting performance of shares in the Company which are not as a consequence of the operations of the Group (windfall gains) however no circumstances existed in the three-year performance period ended 2 September 2023. Therefore no part of the vesting was linked to share price appreciation and no discretion was applied by the Committee.

Total pension entitlements (audited)

The table below provides details of the Executive Directors' pension benefits:

Executive Directors in post during FY23	Normal retirement age	Total contributions to DC-type pension plan £'000	Cash in lieu of contributions to DC-type pension plan £'000
Peter Page¹	67	–	14
David White²	67	10	–
Neil Austin³	67	2	5

1 Peter Page stepped down from the Board and left the Group on 17 November 2023.

2 David White joined the Group on 3 January 2023 and became Chief Financial Officer on 21 February 2023.

3 Neil Austin stepped down from the Board and left the Group on 21 February 2023.

Each Executive Director has the right to participate in the Carr's Group defined contribution pension plan or to elect to be paid some or all of their contribution in cash. During the year, pension contributions and/or cash allowances in the year were 4% of salary for existing Executive Directors. This reflects a change made from January 2021 to align with the majority of the Group's UK workforce.

Long Term Incentive Plan awards granted during the year (audited)

Long-term awards were made to the Executive Directors during FY23 in line with the Directors' Remuneration Policy as follows:

	Number of shares	Basis on which the award was made ¹	Face value of the award (£'000)	Threshold vesting	End of performance period
Peter Page	438,347	150% ²	530,400	25%	August 2025
David White	182,573	100% ³	220,000	25%	August 2025

¹ Awarded 4 May 2023 using a share price of £1.21.

² The Committee granted an LTIP award of 150% to Peter Page as incoming CEO. Awards exceeding 100% of base salary can be made only in exceptional circumstances. The Committee considered that the disposal of the Agricultural Supplies division in October 2022, and the development of Group strategy to deliver growth in shareholder value focusing on the Speciality Agriculture and Engineering divisions, were significant events creating exceptional circumstances and justifying an increased level of share-based incentivisation for Peter Page on this occasion to align more closely with shareholder interests. Peter stepped down from the Board and left the Group on 17 November 2023. In relation to LTIP awards, the Committee decided to extend "good leaver" status to Peter as part of the agreed terms of his departure and on the basis that any preserved LTIP awards would be pro-rated to time served, and that the remaining amount of the LTIP preserved is linked to performance conditions of the Company in the future (based on adjusted Earnings Per Share performance measure and Total Shareholder Return). Other than the award in FY23, no LTIP awards have been granted to Peter. In relation to the award granted in FY23, the performance conditions of the Company are yet to be tested but the award will be subject to a pro-rata adjustment to time served.

³ The Committee granted an LTIP award of 100% to David White as incoming CFO.

The Committee regularly reviews the performance measures it adopts in relation to incentivise long-term incentives. In prior years, long-term incentive awards have been made subject to a single adjusted Earnings Per Share performance measure. In March 2023 the Committee undertook a review of the Group's long-term incentive arrangements for Executive Directors, with support from advisers at PricewaterhouseCoopers LLP to ensure that these remain closely aligned with Group strategy. Further details of the review can be found on pages 79 and 80.

Following its review, and after consultation with certain major shareholders, the Committee considered that the introduction of a second performance measure based upon Total Shareholder Return would more closely align long-term incentives with shareholder interests and Group strategy. Vesting of the options is therefore subject to performance targets based upon the Company's adjusted Earnings Per Share ("EPS") and Total Shareholder Return ("TSR") over a three-year performance period covering the financial years 2022/23, 2023/24 and 2024/25 ("Performance Period") as follows:

Adjusted EPS (75% weighting)

	Threshold	Maximum
Target	5% average annual growth in adjusted EPS	14% average annual growth in adjusted EPS
Vesting	25%	100%

TSR (25% weighting)

	Threshold	Maximum
Target	7% compound annual growth in TSR	16% compound annual growth in TSR
Vesting	25%	100%

An award will vest on a straight-line basis once the Threshold target is achieved (25% vesting), up to achievement of the maximum target (100% vesting). For performance exceeding the maximum target, award vesting will be 100%. The Committee retains overall discretion when determining vesting based on the assessment of performance.

All-employee share plans

The Executive Directors are also eligible to participate in the UK all-employee plans. The Carr's Group Sharesave Scheme 2016 is an HM Revenue & Customs approved scheme open to all staff permanently employed in a UK Group company at the eligibility date. Options under the plan are granted at a 20% discount to market value. Executive Directors' participation is included in the option table later in this report.

Payments to past Directors (audited)

Neil Austin stood down from the Board on 21 February 2023. Payments made to Neil Austin during FY23 were:

	Salary (£000)	Cash in lieu of pension contribution (£000)	Bonus (£000)	Total (£000)
Neil Austin	131	5	108*	244**

* The bonus paid to Neil Austin during FY23 related to the prior year. The value in the table above includes 25% deferred in line with the Group's Remuneration Policy.

** Payments do not include pension contributions nor benefits (see page 83 for details).

REMUNERATION COMMITTEE REPORT CONTINUED

Payments to past Directors (audited) continued

Peter Page stood down from the Board and left the Group on 17 November 2023.

Payments made to Peter Page during FY23 are detailed on page 83. No other payments to past Directors have been made during FY23.

Payments made to Peter Page during FY24 are detailed in the table below:

	Salary (£000)	Cash in lieu of pension contribution (£000)	Bonus (£000)	Total (£000)
Peter Page	99*	3	–	103

* Figure includes unused holiday entitlement.

Payments for loss of office (audited)

No payments for loss of office have been made to Directors during the during the financial year ended 2 September 2023.

In relation to the Financial year ending 31 August 2024, Peter Page stood down from the Board and left the Group on 17 November 2023, receiving contractually entitled payments of £353,600 in lieu of notice and a sum of £18,004 as payment for loss of benefits over his notice period. In relation to LTIP awards, the Committee decided to extend "good leaver" status to Peter as part of the agreed terms of his departure and on the basis that any preserved LTIP awards would be pro-rated to time served, and that the remaining amount of the LTIP preserved is linked to performance conditions of the Company in the future (based an adjusted Earnings Per Share performance measure and Total Shareholder Return). Other than the award in FY23, no LTIP awards have been granted to Peter. In relation to the award granted in FY23, the performance conditions of the Company are yet to be tested but the award will be subject to a pro-rata adjustment to time served.

Directors' interests in the shares of the Company (audited information)

A summary of interests in shares and scheme interests of the Directors (as at the date of this report) is given below. The Company has a share dealing policy and a share dealing code. The requirements of such policy and code were met in respect of the shares detailed below.

	Total number of interests in shares	Vested LTIP	Unvested LTIP	SAYE (unvested without performance conditions)	Unvested deferred bonus shares	% of salary held in shares ¹
Executive Directors²						
David White	27,000	N/A	182,573	15,384	N/A	25.59%
Martin Rowland ³	0	N/A	N/A	N/A	N/A	N/A
Non-Executive Directors⁴						
Tim Jones	148,206	N/A	N/A	N/A	N/A	N/A
Ian Wood	50,000	N/A	N/A	N/A	N/A	N/A
Shelagh Hancock	0	N/A	N/A	N/A	N/A	N/A
Stuart Lorimer	4,000	N/A	N/A	N/A	N/A	N/A
Gillian Watson ⁵	0	N/A	N/A	N/A	N/A	N/A

1 Based upon salary as at 2 September 2023 and the average share price over the three months of the year ended 2 September 2023.

2 Neil Austin stood down from the Board on 21 February 2023. Peter Page stood down from the Board and left the Group on 17 November 2023.

3 Martin Rowland joined the Board on 6 March 2023 as a Non-Executive Director and became Executive Director of Transformation on 13 November 2023 and has no interest in any Ordinary Shares in the capital of the Company. At the date of this report, Harwood Capital Management Limited (of whom Martin Rowland is a representative), holds an interest in 13.82% of the Company's share capital.

4 John Worby stood down from the Board on 31 October 2023.

5 Gillian Watson was appointed to the Board on 9 October 2023.

Performance shares (audited information)

The maximum number of outstanding shares that have been awarded to Directors under the LTIP are currently as follows:

Current Executive Directors (as at the date of this report)

	FY21 award	FY22 award	FY23 award
David White	N/A	N/A	188,573
Martin Rowland	N/A	N/A	N/A

Former Executive Directors (prior three financial years)

	FY21 award	FY22 award	FY23 award
Peter Page	N/A	N/A	438,347 ¹
Neil Austin	200,800 ²	169,550 ²	N/A
Tim Davies	N/A	N/A	N/A
Hugh Pelham	N/A ³	N/A	N/A

- 1 Peter Page stood down from the Board and left the Group on 17 November 2023. In relation to LTIP awards, the Committee decided to extend "good leaver" status to Peter as part of the agreed terms of his departure and on the basis that any preserved LTIP awards would be pro-rated to time served, and that the remaining amount of the LTIP preserved is linked to performance conditions of the Company in the future (based on an adjusted Earnings Per Share performance measure and Total Shareholder Return). Other than the award in FY23, no LTIP awards have been granted to Peter. In relation to the award granted in FY23, the performance conditions of the Company are yet to be tested but the award will be subject to a pro-rata adjustment to time served.
- 2 Neil Austin stood down from the Board and left the Group on 21 February 2023. In relation to LTIP awards, the Committee decided to extend "good leaver" status to Neil in recognition of his role in the completion of the sale of the Agricultural Supplies division during the performance periods of the LTIP awards and on the basis that any preserved LTIP awards would be pro-rated to time served, and that the remaining amount of the LTIP preserved is linked to performance conditions of the Company in the future (based on an adjusted Earnings Per Share performance measure). In relation to the award granted in FY21, no award vested (see above). In relation to the award granted in FY22, the performance conditions of the Company are yet to be tested but the award will be subject to a pro-rata adjustment to time served. No LTIP award was granted to Neil in FY23.
- 3 It was determined that the award to Hugh Pelham made in FY21 would lapse without vesting upon him standing down from the Board on 11 October 2021.

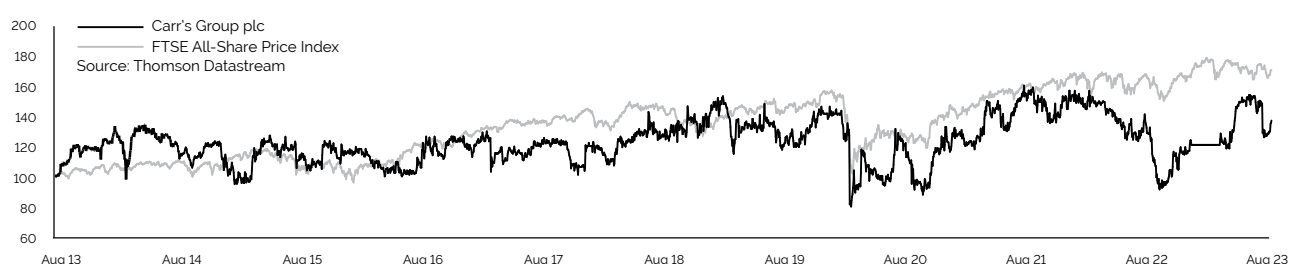
Assessing pay and performance

The table below summarises the Chief Executive's single remuneration figure over the past ten years, as well as how variable pay plans have paid out in relation to the maximum opportunity.

	FY14 Tim Davies	FY15 Tim Davies	FY16 Tim Davies	FY17 Tim Davies	FY18 Tim Davies	FY19 Tim Davies	FY20 Tim Davies	FY21 Tim Davies	FY21 Hugh Pelham ¹	FY22 Hugh Pelham ²	FY22 Peter Page ³	FY23 Peter Page ⁴
Single figure of total remuneration (£'000)	559	911	531	308	861	764	508	259	244	210	312	368
Annual variable element (actual award versus maximum opportunity)	100%	100%	55%	0%	100%	60.41%	15%	100%	0%	N/A	0%	0%
Long-term incentive (vesting versus maximum opportunity)	N/A	100%	37.45%	0%	100%	100%	51.64%	N/A	0%	N/A	0%	0%

- 1 Reflective of an eight-month period. In relation to FY21, it was determined that the award relating to 272,324 shares under the Long-Term Incentive Plan would lapse without vesting upon Hugh Pelham standing down from the Board on 11 October 2021.
- 2 Reflective of remuneration to 11 October 2021, including £170,000 paid in lieu of notice. In relation to FY22, no award under the Long-Term Incentive Plan was made to Hugh Pelham in the period to 11 October 2021.
- 3 Reflective of services as Non-Executive Chair until 11 October 2021 and services as Executive Chair under interim arrangements from 11 October 2021.
- 4 Reflective of services as Chief Executive Officer from 1 September 2022.

Ten-year historical TSR performance



REMUNERATION COMMITTEE REPORT CONTINUED

Change in Directors' remuneration

The table below shows the percentage change in the Directors' remuneration between FY22 and FY23 compared to the other employees.

	Base pay/fees	Benefits	Annual bonus
Current Directors (in post as at the date of this report)			
David White ¹	-14%	0%	-100%
Tim Jones ²	3%	N/A	N/A
Ian Wood ³	4%	N/A	N/A
Shelagh Hancock ³	4%	N/A	N/A
Stuart Lorimer ³	4%	N/A	N/A
Martin Rowland ⁴	4%	N/A	N/A
Former Directors			
Peter Page ⁵	4%	N/A	N/A
Neil Austin ⁶	4%	0%	-100%
John Worby ⁷	4%	N/A	N/A
Other UK employees	6%	0%	-9%

1 When compared to CFO pay FY22. David joined the Board on 21 February 2023 (figures are on an annualised basis).

2 When compared to Chair pay FY22. Tim Jones joined the Board on 21 February 2023 (figures are on an annualised basis).

3 When compared to NED pay FY22.

4 When compared to NED pay FY22. Martin Rowland joined the Board on 6 March 2023 (figures are on an annualised basis).

5 When compared to CEO pay FY22. Peter Page stood down from the Board on 17 November 2023.

6 When compared to CFO pay FY22. Neil Austin stood down from the Board on 21 February 2023 (figures are on an annualised basis).

7 When compared to NED pay FY22. John Worby stood down from the Board on 31 October 2023.

Other UK employees

The Remuneration Committee considers pay across the entire Group when setting Executive Director remuneration. Annual consultations take place across the Group between the Executive Directors and senior management, including HR, in relation to employee pay. The outcome of that exercise, and any changes to employee pay levels, are considered when determining the appropriateness of any changes in Executive Director pay.

Chief Executive Officer pay ratio (unaudited)

The table below shows the pay ratio based on the total remuneration of the Chief Executive Officer to the 25th, 50th and 75th percentile of all permanent UK employees of the Group.

	CEO pay		25th percentile		Median		75th percentile	
	2023	2022	2023	2022	2023	2022	2023	2022
Total pay (£'000)	368	340 ¹	23	22	32	29	43	38
Pay ratio			16	15	11	12	9	9

1 Annualised figure based upon Peter Page's fees as Executive Director.

The Group adopted Option A as defined in The Companies (Miscellaneous Reporting) Regulations 2018, as the calculation methodology for the above ratios. The 25th, median and 75th percentile pay ratios were calculated using the full-time equivalent remuneration for all UK employees as at 2 September 2023.

Gender pay gap

The Group's gender pay gap reporting information was as follows for the snapshot period ending 5th April 2023, being the most recent data available. For information on the Group's approach to equal opportunities and diversity, please see our Responsible Business Report on page 25 and 27, the Corporate Governance Report on page 53 and the Nomination Committee Report on pages 67 to 71 (inclusive).

Difference between men and women

	Mean			Median		
	2023	2022	2021	2023	2022	2021
Hourly pay	14%	25%	28%	17%	22%	25%
Bonus	22%	72%	73%	87%	0%	90%

Proportion of people awarded a bonus

	2023	2022	2021
Male	22%	36%	40%
Female	30%	41%	36%

Percentage of men/women in each pay quartile

	Lowest			Q2			Q3			Highest		
	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021
Men	67%	59%	54%	72%	51%	63%	83%	84%	83%	82%	84%	84%
Women	33%	41%	46%	28%	49%	37%	17%	16%	17%	18%	16%	16%

Relative spend on pay

The table shows the relative importance of spend on pay compared to distributions to shareholders.

	2023 £'000	2022 £'000	% change
Employee costs* (excluding share-based payments)	37,777	33,641	12.3%
Dividends paid to shareholders	4,889	4,687	4.3%

* Continuing operations only.

External appointments

The Executive Directors did not receive any remuneration from the Group in respect of any external appointments in FY23.

Implementation of the policy in FY24

Salaries/Fees

Inflationary increases of 5% were awarded effective 1 September 2023, which is consistent with the broader UK workforce.

Executive Director Salaries

With effect from 17 November 2023, David White became CEO. On 13 November 2023, Martin Rowland became Executive Director of Transformation. Salaries per annum for each are:

David White (CEO): £306,000 plus £12,000 car allowance¹

Martin Rowland (Executive Director of Transformation): £250,000 plus £12,000 car allowance²

For FY24 the maximum annual bonus for the Executive Directors will remain 100% of salary. 25% of any bonus will be deferred for two years in the form of shares. Performance will be assessed against stretching targets. The weighting between financial and non-financial targets will be linked to the specific role and duties of each Executive Director, with performance targets under each element also reflecting specific roles.

60% of David White's annual bonus will be based upon adjusted PBT for the Group only and will not have any divisional splits. The remaining 40% of annual bonus will be linked to non-financial targets. All annual bonus targets will vest at 0%, and vesting for target performance is 50% of maximum. Due to commercial sensitivity, targets will be disclosed retrospectively in next year's report.

¹ Subject to a pro-rata adjustment for the period as CEO from 17 November 2023. As CFO, David White's salary was £231,000 per annum (subject to a pro-rata adjustment for the period 1 September 2023 to 17 November 2023).

² Subject to a pro-rata adjustment for the period as Executive Director of Transformation commencing 13 November 2023. As a Non-Executive Director, Martin Rowland's salary was £44,796 per annum (subject to a pro-rata adjustment for the period 1 September 2023 to 12 November 2023).

REMUNERATION COMMITTEE REPORT CONTINUED

Implementation of the policy in FY24 continued

Martin Rowland's annual bonus will be entirely based on financial metrics linked to executing the transformation strategy. Martin Rowland has been appointed as the Executive Director of Transformation with specific goals spanning two financial years. The intention is to evaluate performance across his full tenure and accordingly pay a bonus which reflects the period of working. The bonus earned will not exceed 100% of the salary accrued over the 12 month fixed contractual term.

Long-Term Incentive Plan

The Committee intends to grant an LTIP award of 100% to David White as CEO. LTIP awards are made subject to stretching performance targets and currently use (a) adjusted EPS (75% weighting) with threshold vesting (25% of awards) being achieved where average growth in adjusted EPS is at least 5% over the performance period, and maximum vesting (100% of awards) being achieved where average growth is at least 14%; and (b) TSR (25% weighting) with threshold vesting (25% of awards) being achieved where compound growth in TSR is at least 7% over the performance period, and maximum vesting (100% of awards) being achieved where compound growth is at least 16%.

Given Martin Rowland's role is for a contractual term of 12 months commencing 13 November 2023, the Committee does not intend to grant an LTIP to him during the year.

Non-Executive Director fees

Gillian Watson joined the Board on 9 October 2023 as a Non-Executive Director and Senior Independent Director and will be paid a single fee of £44,796 per annum (gross).

Fees to Non-Executive Directors for FY24 will be as follows:

Position	Fees per annum (£)
Chair	99,750
Non-Executive Director (including Committee Chairs and the SID)	44,796

External advisers

During the year, external adviser PricewaterhouseCoopers LLP ("PwC") was engaged to advise the Committee on remuneration issues, most notably in connection with the Remuneration Policy, the preparation of the Directors' Remuneration Report, reviewing the senior management incentive plan and in connection with the review of the LTIP performance measures for Executive Directors. PwC is a signatory to the Remuneration Consultants' Code of Conduct, which requires that its advice be objective and impartial. Total fees incurred for the services provided amounted to £47,000 (exclusive of VAT). PwC provides other services to the Company, in relation to accounting services. The Committee is satisfied that no conflicts of interest exist in relation to advice provided to the Committee. It is also satisfied that the members of PwC teams do not have connections with the Company which might impair their independence.

Committee effectiveness

The effectiveness of the Committee was considered as part of the Board's internal effectiveness evaluation described on pages 58 to 60 (inclusive). Feedback indicated that the structure of the Committee worked well and was in line with good practice, including with respect to the number and roles of the independent Non-Executive Directors and that the procedure for developing policy on Executive remuneration and determining Director and senior management remuneration was transparent.

By order of the Board



Ian Wood
Remuneration Committee Chair

20 December 2023

3. REMUNERATION POLICY

Introduction

This part of the report sets out the Remuneration Policy for the Group and has been prepared in accordance with The Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (as amended).

The current policy was approved by the shareholders at the AGM which took place on 12 January 2021, receiving a 99.7% proxy vote in favour. This new policy builds upon the previous policy, with minor amendments made to ensure that the Committee has sufficient flexibility to align remuneration with our evolving strategy. Furthermore, changes have been made to increase transparency and align our approach to corporate governance best practice, such as greater clarity on our leaver provisions.

Further information on the changes is set out in the remuneration policy table on the pages which follow.

The new policy will be put to shareholders for consideration and approval at the forthcoming Annual General Meeting of the Company to take place in February 2024.

Role of the Committee

The primary role of the Committee is to make recommendations to the Board of the Group's policy for Executive Remuneration. The Committee also has delegated responsibility for determining the remuneration and benefits of the Chair, Executive Directors and senior management including the Company Secretary. Further details can be found on pages 81 and 82.

Overview of policy

When setting the policy for Directors' remuneration, the Committee takes into account the overall business strategy, considering the long-term interests of the Group, with the aim of incentivising the delivery of rewards to the Group's shareholders, workforce and broader stakeholders.

The Group's policy is that the overall remuneration packages offered should be sufficiently competitive to attract, retain and motivate high-quality executives and to align the rewards of the Executive Directors with the progress of the Group, whilst giving consideration to salary levels in similar size quoted companies in similar industry sectors and views of shareholders.

The remuneration package is split into two parts:

- a non-performance element represented by basic salary, benefits and pension; and
- a performance-related element in the form of an annual bonus and a Long Term Incentive Plan.

REMUNERATION COMMITTEE REPORT CONTINUED

Remuneration Policy table

Element	Purpose and link to strategy	Policy and approach	Maximum opportunity
EXECUTIVE DIRECTORS			
Base salary	<p>To attract and retain the best talent.</p> <p>Reflects an individual's experience, performance and responsibilities within the Group.</p>	<p>Salary levels (and subsequent salary increases) are set taking into consideration a number of factors, including:</p> <ul style="list-style-type: none"> • level of skill, experience and scope of responsibilities of individual; • business performance, economic climate and market conditions; • increases elsewhere in the Group; and • external comparator groups (used for reference purposes only). <p>Salaries are normally reviewed annually, with any increase effective 1 September each year.</p>	<p>There is no formal maximum; however, increases will normally not exceed the general increase for the broader employee population of the Group.</p> <p>More significant increases may be awarded from time to time to recognise, for example, development in role and change in position or responsibility.</p> <p>Current salary levels are disclosed in the Annual Report on Remuneration.</p>
Pension	<p>Provides a competitive and appropriate pension package that is aligned with arrangements across the Group.</p>	<p>Executive Directors are entitled to participate in a defined contribution pension arrangement or to receive a cash alternative to those contributions.</p> <p>Subject to as provided below, Company contributions for all Executive Directors are at a rate which does not exceed the contribution rate available to the majority of the UK workforce (currently 4%).</p> <p>To the extent that pension contributions exceed annual tax-free allowances, Executive Directors will be entitled to receive payment through ordinary payroll in lieu of pension contributions.</p>	<p>Up to a maximum rate not exceeding that available to the majority of the UK workforce (currently 4%).</p>
Benefits	<p>To aid retention and remain competitive in the marketplace.</p>	<p>Benefits provided include permanent health insurance, private medical insurance and life assurance. Relocation benefits may also be provided in the case of recruitment of a new Executive Director. The benefits provided may be subject to minor amendment from time to time by the Committee within this policy.</p> <p>The Company may reimburse any reasonable business-related expenses incurred in connection with their role (including tax thereon if these are determined to be taxable benefits).</p>	<p>Market rate determines value. There is no prescribed maximum level but the Remuneration Committee monitors the overall cost of benefits to ensure that it remains appropriate.</p>

Element	Purpose and link to strategy	Policy and approach	Maximum opportunity
Annual bonus	Designed to reward delivery of key strategic priorities during the year.	<p>Bonus levels and appropriateness of performance measures and weighting are reviewed annually to ensure they continue to support our strategy. Bonuses are capped at 100% of base salary. At least 25% of any bonus earned will be deferred into awards over shares, with awards normally vesting after a two-year period.</p> <p>Performance is measured against stretching targets. These may include financial and non-financial measures, with at least half linked to stretching financial metrics. Noting commercial sensitivity, performance targets will typically be disclosed retrospectively each year. The threshold level of bonus vesting under each measure is 0%, and vesting for target performance is 50% of maximum.</p> <p>The cash element of the bonus is usually paid in November each year for performance in the previous financial year.</p> <p>Dividends will accrue on deferral awards over the vesting period and be paid out either as cash or as shares on vesting and in respect of the number of shares that have vested.</p>	Maximum of 100% of base salary.
Save As You Earn ("SAYE")	To encourage employee involvement and encourage greater shareholder alignment.	An HMRC approved SAYE scheme is available to eligible staff, including Executive Directors.	The schemes are subject to the limits set by HMRC from time to time.
Long Term Incentive Plan ("LTIP")	To motivate and incentivise delivery of sustained performance over the longer term, and to support and encourage greater shareholder alignment.	<p>Annual awards of performance shares which normally vest after three years subject to performance conditions.</p> <p>Award levels and performance conditions required for vesting are reviewed annually to ensure they continue to support the Group's strategy. Annual awards are capped at the equivalent of 100% of base salary at the date of award.</p> <p>In accordance with the rules of the LTIP, which were approved by shareholders at the AGM on 27 February 2023, in circumstances considered by the Committee to be exceptional, single awards in excess of 100% of base salary can be made, up to a maximum of 200% of base salary at the date of the award.</p> <p>Awards are currently based upon an EPS growth measure and Total Shareholder Return ("TSR"), although the Committee reserves the right to amend performance measures where considered appropriate in line with strategy.</p> <p>25% vests at threshold performance. There is straight-line vesting between threshold and maximum.</p> <p>A two-year post-vesting holding period applies to the net of tax shares.</p>	<p>Maximum of 100% of base salary for annual awards.</p> <p>Exceptional awards can be made of up to 200% of base salary.</p>

REMUNERATION COMMITTEE REPORT CONTINUED

Element	Purpose and link to strategy	Policy and approach	Maximum opportunity
Shareholding guidelines	To provide alignment with shareholder interests.	Executive Directors are required to build up a shareholding equivalent to 200% of base salary over a five-year period.	N/A
Post-cessation shareholding	To provide alignment with shareholder interests in the long term.	<p>Executive Directors are required to retain all shares acquired on vesting under the Company's LTIP, up to a value equal to 200% of their basic salary, for a period of two years following the cessation of their employment with the Company for any reason.</p> <p>This requirement will apply to all shares which vest after the Policy takes effect, regardless of when awards were made under the Company's LTIP.</p>	N/A
NON-EXECUTIVE DIRECTORS			
Non-Executive Director fees	To attract and retain a high-calibre Chair and Non-Executive Directors by offering market competitive fee levels.	<p>Remuneration reflects:</p> <ul style="list-style-type: none"> • the time commitment and responsibility of their roles; • consideration of increases made elsewhere in the Group; • market rate; and • that they do not participate in any bonus, pension or share-based scheme. <p>Our policy is for the Executive Directors to review the remuneration of Non-Executive Directors annually following consultation with the Chair. The Chair's remuneration is reviewed annually by the Remuneration Committee.</p> <p>Remuneration comprises a single base fee for services to the Company. Non-Executive Directors, other than the Chair, may receive additional fees in relation to carrying out additional duties such as acting as the Senior Independent Director or chairing a Board Committee.</p> <p>The Chair and the Non-Executive Directors are entitled to reimbursement of reasonable expenses. They may also receive reasonable travel or accommodation-related benefits in connection with their role as a Director.</p> <p>The Non-Executive Directors will not participate in the Group's share, bonus or pension schemes.</p> <p>Non-Executive Directors are engaged for terms of one year, subject to appointment and reappointment at the Company's AGM.</p>	Levels of fee are reviewed annually with any increases normally aligning with general increases for the broader employee population of the Group.

Remuneration Committee discretions

The Committee will operate the annual bonus plan and LTIP according to their respective rules. To ensure the efficient operation and administration of these plans, the Committee retains discretion in relation to a number of areas. This is consistent with market practice and these include (but are not limited to) the following:

- the participants;
- the timing of grant and/or payment;
- the size of grants and/or payments (within the limits set out in the Policy table);
- the determination of vesting based on the assessment of performance;
- the determination of a 'good leaver' and, where relevant, the extent of vesting in the case of the share-based plans;
- whether or not to make payment of a bonus to a leaver, taking into account all circumstances, and whether or to pro-rate such an award;
- treatment in exceptional circumstances, such as a change of control;
- making the appropriate adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events, variation of capital and special dividends);
- cash settling awards; and
- the annual review of performance measures, weightings and setting targets for the discretionary incentive plans from year to year.

The Committee also retains the ability to adjust existing performance conditions for exceptional events so that the plans can still fulfil their original purpose. Any varied performance condition would not be materially less difficult to satisfy in the circumstances.

Malus and clawback

In line with UK corporate governance best practice, a malus and clawback mechanism applies as follows:

- Annual bonus – cash awards: malus will apply up to the bonus payment and clawback will apply for a period of two years after the bonus payment.
- Annual bonus – deferred share awards: clawback will apply during the period of two years following the payment of the cash bonus to which the deferred share award relates.
- LTIP awards: malus will apply during the vesting period and clawback will apply for a period of two years post vesting.

The malus and clawback provisions may be applied in specific circumstances including in the event of a material misstatement of the Group's accounts and also for other defined reasons including material financial misstatement, reputational damage, gross misconduct, fraud, error in the assessment of performance measures and corporate failure.

Performance measures and targets

Our Group strategy and business objectives are the primary consideration when we are selecting performance measures for incentive plans. The annual bonus is based on performance against a stretching combination of financial and non-financial measures. Adjusted profit before tax reflects the Group's strategic objective to increase profit. In addition, Executive Directors are assessed on strategic objectives as agreed by the Committee at the beginning of the year. The LTIP is assessed against growth in adjusted earnings per share as it rewards improvement in the Group's underlying financial performance and is a measure of the Group's overall financial success and is visible to shareholders; as well as total shareholder return ("TSR") in order to focus management on delivering shareholder returns, noting that a number of our shareholders prefer absolute TSR rather than relative in order to increase visibility and ensure direct alignment with the shareholder experience.

Targets within incentive plans that are related to internal financial measures, such as profit, are typically determined based on the Group's budgets. The threshold and maximum levels of performance are set to reflect minimum acceptable levels at threshold and very stretching, but achievable, levels at maximum. At the end of each performance period we review performance against the targets, using judgement to account for items such as foreign exchange rate movements, changes in accounting treatment, and significant one-off transactions. The application of judgement is important to ensure that final assessments of performance are fair and appropriate. In addition, the Remuneration Committee reviews the bonus and incentive plan results before any payments are made to Executive Directors or any shares vest and has full discretion to adjust the final payment or vesting downwards if they believe the circumstances warrant it.

Approach to recruitment remuneration

The remuneration package for a new Executive Director would be set in accordance with the terms of the Group's approved remuneration policy in force at the time of appointment. When existing employees are promoted to the Board, the Policy will apply from the point where they are appointed to the Board and not retrospectively. In addition, any existing awards will be honoured and form part of ongoing remuneration arrangements.

REMUNERATION COMMITTEE REPORT CONTINUED

Buy-out awards

In addition, the Committee may offer additional cash and/or share-based elements (on a one-time basis or ongoing) when it considers these to be in the best interests of the Group (and therefore shareholders). Any such payments would be limited to a reasonable estimate of value of remuneration lost when leaving the former employer and would reflect the delivery mechanism (i.e. cash and/or share-based) time horizons and whether performance requirements are attached to that remuneration. For avoidance of doubt, any buy-out awards are not subject to a formal maximum.

Maximum level of variable pay

The maximum initial level of long-term incentives which may be awarded to a new Executive Director will ordinarily be limited to 200% of base salary (i.e. 100% annual bonus plus 100% Long Term Incentive Plan). This can be increased to 300% in exceptional circumstances (i.e. 100% annual bonus plus 200% Long Term Incentive Plan). These limits are in addition to the value of any buy-out arrangements which are governed by the policy above.

In the case of an internal appointment, any variable pay element awarded in respect of the prior role would be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, any other previously awarded entitlements would continue, and be disclosed in the next Annual Report on Remuneration.

Base salary and relocation expenses

The Committee has the flexibility to set the salary of a new appointee at a discount to the market level initially, with a series of planned increases implemented over the following few years to bring the salary to the appropriate market position, subject to individual performance in the role.

For external and internal appointments, the Committee may agree that the Group will meet certain relocation expenses as appropriate.

Appointment of Non-Executive Directors

For the appointment of a new Chair or Non Executive Director, the fee arrangement would be set in accordance with the approved remuneration policy in force at that time.

Directors' terms of employment

The Group's current policy is not to enter into employment contracts with any element of notice period in excess of one year. All Non-Executives are appointed for terms of 12 months and stand for re-election annually at the Company's AGM. Copies of Executive Directors' service contracts and Non-Executive Directors' letters of appointment are available for inspection at the Company's registered office during normal hours of business.

An Executive Director's service contract may be terminated summarily without notice and without any further payment or compensation, except for sums accrued up to the date of termination, if they are deemed to be guilty of gross misconduct or for any other material breach of the obligations under their employment contract.

Policy on payment on loss of office

When determining any loss of office payment for a departing Executive Director, the Committee will always seek to minimise the cost to the Group, while complying with contractual terms and seeking to reflect the circumstances in place at the time. The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.

On termination of an Executive Director's service contract, the Committee will take into account the departing Director's duty to mitigate their loss when determining the amount of compensation. When terminating an Executive Director's contract, the Group has the right to make a payment in lieu of notice. Any such payment will typically reflect the individual's salary, benefits and pension entitlements. The Group has the ability to mitigate costs and phase payments if alternative employment is obtained. The Committee's Policy is described below and will be implemented taking into account the contractual entitlements, the specific circumstances for the departure and the interests of shareholders.

Pay element	Good leaver	Other leaver
Base pay, pension, benefits	Up to 12 months' normally payable monthly and subject to mitigation. May be required to work during notice period.	Up to 12 months' normally payable, subject to mitigation. The Committee has the discretion to terminate contracts without notice and without further compensation (except for sums earned to the date of termination for certain events such as gross misconduct).
Annual bonus – cash	There will be no automatic entitlement to a bonus if an Executive Director has ceased employment or is under notice. The Committee may, at its discretion, pay a bonus. This would normally be prorated in respect of the proportion of the financial year worked but in circumstances it considers it appropriate, the Committee may use discretion to not prorate. Use of discretion will be explained in full to shareholders. Such payment could be payable in cash and not subject to deferral. Payment would usually be made on the normal payment date, although the Committee has discretion to accelerate payment on a case-by-case basis in its discretion, for example on change of control of the Group or death of an Executive Director.	Awards lapse on cessation of employment.
Annual bonus – deferred into shares	Unvested awards will usually vest in full upon cessation, unless the Committee determines otherwise.	Unvested awards lapse on the termination date.
LTIP Awards	Outstanding awards will vest at the original vesting date to the extent that the performance condition has been satisfied and reduced on a pro rata basis to reflect the period of time which has elapsed between the grant date and the date on which the participant ceased to be employed by the Group, unless the Committee determines otherwise in its absolute discretion. Holding periods will apply, unless the Committee determines otherwise.	Awards lapse on termination date.
All-employee share plans	Treatment of awards under any all-employee share plan including the SAYE plan would be in line with HMRC rules.	
Buy-out awards	Treatment of the buy-out award would be in line with the terms of the buy-out award agreed.	

Definition of a good leaver

The Committee has ultimate discretion on whether an employee is considered to be a good leaver. In determining whether a departing Executive Director should be treated as a 'good leaver', the Committee will take into account the performance of the individual and Group over the whole period of employment and the reasons for the individual's departure. If employment ceases because of any of the following circumstances, the Executive Director would normally be treated as a 'good leaver':

- death;
- ill-health;
- injury;
- disability;
- redundancy; and
- retirement with the consent of the Committee.

REMUNERATION COMMITTEE REPORT CONTINUED

In the event of: (i) a takeover of the Company; (ii) a scheme of arrangement (not being an internal corporate reorganisation); (iii) a winding-up of the Company; or (iv) (at the discretion of the Committee) a demerger, Executive Directors are entitled to up to 12 months' base salary, pension and benefits. Unvested bonus and LTIP Awards shall vest immediately and on the same basis as described above in the case of a 'good leaver'. Alternatively, on the occurrence of a takeover or a scheme of arrangement, the Committee may specify that bonus and/or LTIP Awards shall not vest on the occurrence of such event and instead participants shall be required to 'roll-over' their awards into equivalent new awards over shares in a new holding company. Bonus and LTIP Awards will be automatically 'rolled-over' on the occurrence of an internal reorganisation.

The Non-Executive Directors are not entitled to any compensation for loss of office.

Statement of consideration of shareholder views

The Committee engaged with shareholders during 2023 as part of the Remuneration Policy development process and welcomes continued dialogue with the Company's shareholders. Proposed changes to the policy were communicated to major shareholders prior to its formation, and all feedback taken into consideration. Please see pages 79 and 80 for details of the consultation with shareholders. Advice was also taken on best practice from appropriately qualified remuneration advisers PricewaterhouseCoopers LLP. The views offered to the Committee have been taken into account in the policy.

Considerations of conditions elsewhere in the Group

In determining the remuneration of the Group's Directors, the Committee takes into account the pay arrangements and terms and conditions across the Group as a whole. The Committee seeks to ensure that the underlying principles which form the basis for decisions on Directors' pay are consistent with those on which pay decisions for the rest of the workforce are taken. For example, the Committee takes into account the general salary increase for the broader employee population when conducting the salary review for the Executive Directors.

However, there are some differences in the Executive Directors' Remuneration Policy compared to the approach adopted for the wider workforce, which the Committee believes are necessary to reflect the differing levels of seniority and scope of responsibility. A greater weight is placed on performance-based pay through the quantum and participation levels in incentive schemes to ensure the remuneration of the Executive Directors is aligned with the performance of the Group and the interests of shareholders.

Alignment with Provision 40 of the UK Corporate Governance Code

As part of its review of the Policy, the Committee has considered the factors set out in provision 40 of the Code. In the Committee's view, the Policy addresses those factors as set out below:

Provision 40	How the Policy aligns
Clarity Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce and link to strategy	<p>The Committee has clearly outlined the performance conditions relating to the annual bonus and long-term incentive plans, which are linked to our strategy and shareholder interests. We have set out the maximum potential value of the elements of remuneration, and the areas in which discretion can be applied throughout the Policy.</p> <p>The Policy is in line with UK corporate governance best practice, and so aims to be well understood by participants, shareholders and the wider workforce.</p>
Simplicity Remuneration structures should avoid complexity and their rationale and operation should be easy to understand	<p>The Policy is designed to be simple, easily understood and communicated. The remuneration structure uses market-standard incentive structures. The performance conditions for variable elements are clearly communicated to, and understood by, participants, as well as being aligned with the Group's strategy.</p>
Risk Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated	<p>A significant portion of the Executive Directors' total remuneration opportunity is weighted to the longer term, and delivered in shares via the long-term incentive plan and the deferred bonus mechanism. Furthermore, a shareholding requirement is in place (both in-employment and post-cessation). These features ensure robust shareholder alignment and discourage unnecessary risk taking.</p> <p>The Committee retains discretion to override formulaic outcomes for incentive plans. Malus and clawback provisions are in place, which mitigate behavioural risks by enabling payments to be reduced or reclaimed in specific circumstances. No Executive Director is present when their own remuneration is under discussion.</p>

Provision 40	How the Policy aligns
Predictability The range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the Policy	The Policy sets out the maximum potential value for each element of remuneration. Potential outcomes are easily quantifiable and are set out in the scenario charts.
Proportionality The link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance	The Committee has set out to balance appropriately remuneration between fixed and variable pay. The annual bonus and long-term incentive plan are designed to reward the successful implementation of the Company's strategy and are aligned with long-term value creation for shareholders via stretching targets linked to strong corporate performance and shareholder return. The Committee will have discretion to override formulaic outcomes to ensure that remuneration appropriately reflects overall performance.
Alignment to culture Incentive schemes should drive behaviours consistent with the company's purpose, values and strategy	The incentive plans are measured against key performance measures aligned to our culture and strategy. The emphasis on shareholding is a core part of our culture throughout the Group via our SAYE plan. The Committee takes into account fairness and the wider workforce when determining Executive Director remuneration outcomes.

FY23 Directors

Dates of service contracts and appointment to the Board for all Directors in post during FY23 are given below:

	Date of service contract/letter of appointment/renewal of appointment	Date of first appointment to the Board	Date stood/standing down
Executive Directors			
Peter Page*	4 August 2022	1 November 2019	17 November 2023
David White**	14 December 2022 (as amended on 14 November 2023 (CEO appointment))	21 February 2023	
Neil Austin	1 January 2013	1 May 2013	21 February 2023
Martin Rowland***	13 November 2023	6 March 2023	
Non-Executive Directors			
Tim Jones	31 August 2023	21 February 2023	
John Worby	22 August 2023	1 April 2015	31 October 2023
Ian Wood	22 August 2023	1 October 2015	
Shelagh Hancock	22 August 2023	1 September 2022	
Stuart Lorimer	22 August 2023	1 September 2022	
Martin Rowland***	22 August 2023	6 March 2023	12 November 2023
Gillian Watson	3 October 2023	9 October 2023	
Peter Page*	20 September 2021 (as amended on 3 December 2021)	1 November 2019	21 February 2023

* Reflecting Executive Chair appointment under interim arrangements from 11 October 2021 and appointment as CEO in August 2022 (CEO appointment taking effect on the appointment of a Non-Executive Chair).

** Reflecting appointment as CFO and appointment as CEO.

*** Reflecting appointment as Non-Executive Director and as Executive Director of Transformation.

REMUNERATION COMMITTEE REPORT CONTINUED

Estimates of total future potential remuneration from FY23 pay packages

The tables below provide estimates of the potential future remuneration of each Executive Director based on the remuneration opportunity granted in FY23. Potential outcomes based on different scenarios are provided for each Executive Director.

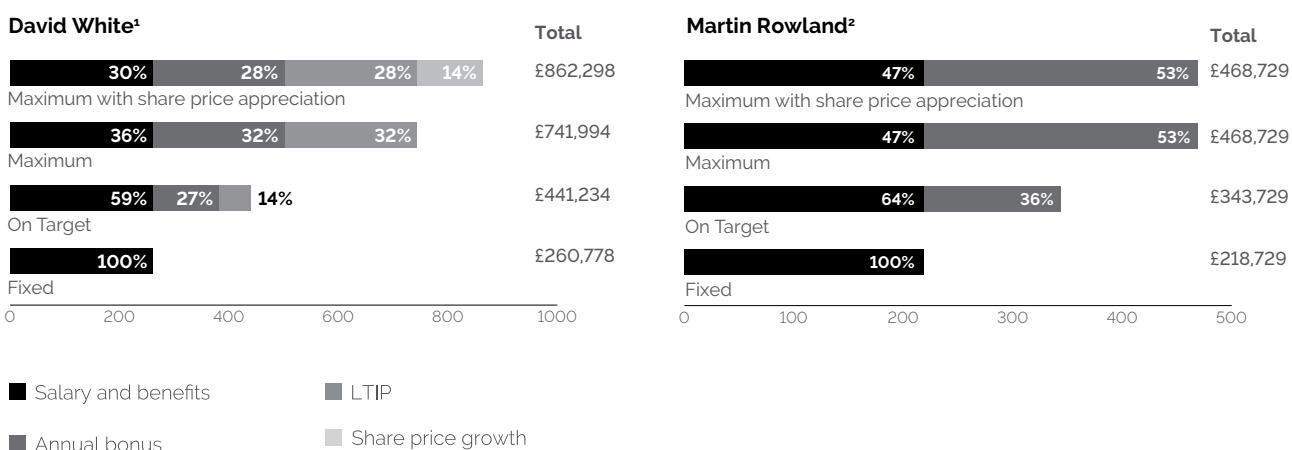
The assumptions underlying each scenario are described below.

Fixed	Consists of base salary, pension and other benefits.				
	Save as otherwise stated, base salaries are as at 1 September 2023.				
	Benefits are valued using the figures in the total remuneration for the FY23 table, adjusted for any new benefits or benefits that will not be provided during FY24.				
	Pensions are valued by applying the appropriate percentage to the base salary.				
		Base £'000	Benefits £'000	Pension £'000	Total £'000
	David White*	241	11	10	261
	Martin Rowland**	200	11	8	219
On target	Based on what a Director would receive if performance was in line with plan, and the threshold level was achieved under the LTIP.				
Maximum	Assumes that the full stretch target for the LTIP is achieved, and maximum performance is obtained under both the financial and non-financial targets set for the annual bonus scheme.				
Maximum with 50% share price appreciation	Assumes maximum remuneration outcomes are achieved and a 50% increase in the value of share-based remuneration.				

* Chief Executive Officer from 17 November 2023. Reflecting the total remuneration in respect of the financial year comprising basic salary, pension and other benefits for the period from 17 November 2023.

** Executive Director of Transformation commencing on 13 November 2023. Reflecting the total remuneration in respect of the financial year comprising basic salary, pension and other benefits for the period commencing on 13 November 2023.

Remuneration estimates based upon outcomes



¹ Reflecting appointment as Chief Executive Officer from 17 November 2023.

² Reflecting appointment as Executive Director of Transformation on 13 November 2023.

DIRECTORS' REPORT

INTRODUCTION

The Directors present their report and the audited accounts for the Group for the financial year ended 2 September 2023. The Corporate Governance Report, which can be found on pages 46 to 102 (inclusive), and details of the Board on pages 48 and 49 also form part of this Directors' Report.

Corporate Governance Statement

The Corporate Governance Statement, prepared in accordance with Rule 7.2 of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, comprises the following sections of the Annual Report: the 'Strategic Report'; the 'Corporate Governance Report'; the 'Audit Committee Report'; the 'Nomination Committee Report'; the 'Remuneration Committee Report'; together with this Directors' Report. As permitted by legislation, some of the matters required to be included in the Directors' Report have been included in the Strategic Report by cross-reference, including details of the Group's financial risk management objectives and policies, business review, future prospects, stakeholder engagement, Section 172 Statement and environmental policy. The 2018 UK Corporate Governance Code is available from the Financial Reporting Council's website (www.frc.org.uk).

OPERATIONS AND PERFORMANCE

Activities and business overview

Carr's Group plc is a public limited company incorporated in England and Wales and whose shares are listed and traded on the London Stock Exchange's Main Market. Its registered office is at Old Croft, Stanwix, Carlisle, CA3 9BA. Details of subsidiary companies and joint ventures can be found at note 18 and note 19 of the Financial Statements and on page 197. The principal activities and business overview of the Group are set out within the Strategic Report on pages 02 to 47 (inclusive).

Results and dividends

A review of the results can be found on pages 16 and 17.

The Group profit from continuing operations before taxation was £1.5m (2022 continuing operations: £7.6m). After taxation charge of £1.1m (2022 continuing operations: £1.5m), the profit for the year from continuing operations is £0.4m (2022 continuing operations restated: £6.0m).

	2023	2022
Aggregate interim dividends	2.35p	2.35p
Final dividend per share proposed	2.85p	2.85p

Subject to approval at the forthcoming Annual General Meeting of the Company, the final dividend will be paid on 1 March 2024 to members on the register at the close of business on 26 January 2024. Shares will become ex-dividend on 25 January 2024.

Post balance sheet events

In December 2023, prior to the signing of the financial statements, the Group renewed its main banking facility with Clydesdale Bank plc (trading as Virgin Money). Please see note 38 for details.

SHARES AND SHARE CAPITAL

Share capital

The Company has a single class of share capital which is divided into Ordinary Shares of £0.025 each. The movement in the share capital during the year is detailed in note 30 to the financial statements.

At the Annual General Meeting held on 27 February 2023, the Directors received authority from the shareholders to:

- Allot shares – this gave Directors the authority to allot shares thus maintaining flexibility in respect of the Company's financing arrangements. The nominal value of Ordinary Shares which the Directors could allot in the period up to the next Annual General Meeting to be held in February 2024, is limited to £775,677.63 which represented approximately 33% of the nominal value of the issued share capital on 31 January 2023. The Directors do not have any present intention of exercising this authority other than in connection with the issue of Ordinary Shares in respect of the Company's share option plans. This authority will expire at the end of the Annual General Meeting to be held in February 2024.
- Disapplication of rights of pre-emption – this disappplies rights of pre-emption on the allotment of shares by the Company and the sale by the Company of treasury shares. The authority allows the Directors to allot equity securities for cash pursuant to the authority to allot shares mentioned above, and to sell treasury shares for cash without a pre-emptive offer to existing shareholders:
 - for general purposes, up to an aggregate nominal amount of £117,526.90, which represented approximately 5% of the Company's issued share capital on 31 January 2023; and
 - in connection with acquisitions or other capital development, up to a further aggregate nominal amount of £117,526.90, which represented approximately 5% of the Company's issued share capital on 31 January 2023.

DIRECTORS' REPORT CONTINUED

This authority will expire at the end of the Annual General Meeting expected to be held in February 2024.

- Buy own shares – this authority allows the Company to buy its own shares in the market, as permitted under the Articles of Association of the Company, up to a limit of 9,402,153 Ordinary Shares which represented approximately 10% of the Company's issued share capital on 31 January 2023. The price to be paid for any share could not be less than £0.025, being the nominal value of a share, and could not exceed 105% of the average middle market quotations for the Ordinary Shares of the Company as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary Shares were purchased.

The Directors have no immediate plans to exercise the powers of the Company to purchase its own shares and undertake that the authority would only be exercised if the Directors were satisfied that a purchase would result in an increase in expected earnings per share and was in the best interests of the Company at the time. The Directors would consider holding any of the Company's own shares that it purchased pursuant to this authority as treasury shares. This authority will expire at the end of the Annual General Meeting to be held in February 2024.

Rights and obligations attaching to shares

In a general meeting of the Company, subject to the provisions of the Articles of Association and to any special rights or restrictions as to voting attached to any class of shares in the Company (of which there are none), the holders of the Ordinary Shares are entitled to one vote in a poll for every Ordinary Share held. No member shall be entitled to vote at any general meeting or class meeting in respect of any shares held if any call or other sum then payable in respect of that share remains unpaid. Currently, all issued shares are fully paid.

Full details of the deadlines for exercising voting rights in respect of the resolutions to be considered at the forthcoming Annual General Meeting will be set out in the Notice of Annual General Meeting.

Subject to the provisions of the Companies Act 2006, the Company may, by ordinary resolution, declare a dividend to be paid to the members, but no dividend shall exceed the amount recommended by the Board. The Board may pay interim dividends, and also any fixed rate dividend, whenever the financial position of the Company, in the opinion of the Board, justifies their payment. All dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares.

Directors' shareholdings

The interests of the Directors, as defined by the Companies Act 2006, in the Ordinary Shares of the Company, other than in respect of options to acquire Ordinary Shares under the Company's share option plans (which are detailed in the analysis of options included in the Directors' Remuneration Report on pages 78 to 102), are as follows:

Directors in office as at the date of this report

		At 2 September 2023 Ordinary Shares	At 3 September 2022 Ordinary Shares
David White	Chief Executive Officer	27,000	0
Martin Rowland	Executive Director of Transformation	0	0
Tim Jones	Chair	148,206	0
Ian Wood	Non-Executive Director	50,000	30,000
Shelagh Hancock	Non-Executive Director	0	0
Stuart Lorimer	Non-Executive Director	4,000	0
Gillian Watson	Non-Executive Director	0	0

All the above interests are beneficial. There have been no other changes to the above interests in the period from 2 September 2023 to the date of this report. At the date of this report, Harwood Capital Management Limited (of whom Martin Rowland is a representative), holds an interest in 13.82% of the Company's share capital.

Directors in office at end of FY23

		At 2 September 2023 Ordinary Shares	At 3 September 2022 Ordinary Shares
Peter Page	Chief Executive Officer	153,722	124,500
John Worby	Non-Executive Director	32,500	32,500

Major shareholders

The Company has been informed that the following interests in the 94,150,362 Ordinary Shares of the Company, as required by the Companies Act 2006.

Latest available data prior to the date of this Annual Report and Accounts

Shareholder	30-Nov-23	% Issued Ordinary Share Capital
Mr Robert Heygate (UK)	13,025,120	13.84
Harwood Capital (London)	13,000,000	13.82
Fidelity Investments (Boston)	9,486,168	10.08
Jupiter Asset Mgt (London)	4,750,000	5.05
Interactive Investor (Manchester)	3,490,408	3.71
Hargreaves Lansdown Asset Mgt (Bristol)	3,336,015	3.55
Charles Stanley (London)	2,788,147	2.96
Wesleyan Assurance Society (Birmingham (UK))	2,552,936	2.71
Artemis Investment Mgt (London)	2,306,432	2.45
Mr Thomas W G Charlton (Regional (England))	1,980,000	2.10
TOTAL	56,715,226	60.28

Latest available data prior to end of FY23

Shareholder	31-Aug-23	% Issued Ordinary Share Capital
Mr Robert Heygate (UK)	13,025,120	13.83
Harwood Capital (London)	9,900,000	10.52
Fidelity Investments (Boston)	9,410,847	10.00
Jupiter Asset Mgt (London)	4,750,000	5.05
Interactive Investor (Manchester)	3,521,282	3.74
Hargreaves Lansdown Asset Mgt (Bristol)	3,365,276	3.57
Gresham House (London)	2,983,000	3.17
Charles Stanley (London)	2,810,452	2.99
Wesleyan Assurance Society (Birmingham (UK))	2,552,936	2.71
Artemis Investment Mgt (London)	2,306,432	2.45
TOTAL	54,625,345	58.02

CORPORATE GOVERNANCE

Annual General Meeting

The Annual General Meeting of the Company will be held in February 2024 at The Halston Hotel Carlisle, 20-34 Warwick Road, Carlisle CA1 1AB.

Articles of Association

The powers of the Directors are conferred on them by UK legislation and the Articles of Association. Changes to the Articles must be approved by shareholders passing a special resolution at a General Meeting.

Directors

Details of the Directors of the Company as at the date of this report are shown on pages 48 and 49, and details of Directors who were in post during FY23 can be found on in the Nomination Committee Report on pages 67 to 71 (inclusive). Details relating to Director re-election, Directors' powers and Directors' conflicts of interest can be found in the Corporate Governance Report on page 54.

Directors' and officers' liability insurance

The Group maintains Directors' and Officers' liability insurance, which is reviewed annually.

Significant agreements

There are a number of significant agreements across the Group with provisions that take effect, alter or terminate upon a change of control of the Company, such as bank facility agreements, agreements with strategic partners, employee share scheme rules and certain project contracts within the Engineering division. The Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment occurring solely because of a change of control.

Political and charitable donations

During the year ended 2 September 2023 the Group contributed £50,496 (2022: £22,750) in the UK for charitable purposes. Further details have been included within the Responsible Business Report on page 32. There were no political donations during the financial year (2022: £nil). For details of work with local communities, please see page 32, and pages 62-66 (inclusive).

DIRECTORS' REPORT CONTINUED

ADDITIONAL INFORMATION

Employee share schemes

Awards under employee share schemes do not confer any shareholder rights, such as the right to vote the shares or to receive any dividend, until a participant has received the shares after vesting or exercise (as applicable).

Employment policies and employees

The Company is committed to its employees and further details on the Company's policies and commitment can be found in the Responsible Business Report on pages 25 to 37 (inclusive).

Confidential reporting of concerns

The Group maintains various channels through which people can report concerns or suspicions of wrongdoing within the workplace, including anonymous reporting via an independent whistleblowing service operated by SeeHearSpeakUp. The Board regularly reviews the Group's Whistleblowing Policy which is implemented by the Company Secretary as the Group's Whistleblowing Officer.

Pensions

Estimates of the amount and timing of future funding obligations for the Group's pension plans are based on various assumptions including, among other things, the actual and projected market performance of the pension plan assets, future long-term corporate bond yields, longevity of members and statutory requirements. The Group continually reviews this risk and takes action to mitigate where possible.

In addition, while the Group is consulted by the trustees on the investment strategies of the Group's pension plans, the Group has no direct control over these matters as the trustees are directly responsible for the strategy. Details of the Group's pension plans are in note 29 of the financial statements.

Environment

The Company's report on sustainability and the environment, including its carbon footprint, and approach to GHG as well as climate related risk and governance processes can be found on pages 33 to 44 (inclusive).

External auditor

A resolution to reappoint Grant Thornton UK LLP as external auditor will be proposed at the forthcoming Annual General Meeting of the Company to be held in February 2024.

More information about the external audit can be found on pages 72 to 77 (inclusive) of the Audit Committee Report.

Other information incorporated by reference

Other information relevant to this Directors' Report, and which is incorporated by reference, including:

Subject matter		Page(s)
Financial risk management	Principal Risks and Uncertainties Corporate Governance Report Audit Committee Report	20 to 23 46 to 107 72 to 77
Exposure to price risk, credit risk, liquidity risk and cash flow risk	Notes to the Financial Statements (Derivatives and other financial instruments) (note 28)	170 to 174
Going concern	Principal Accounting Policies	128 to 136
Important events since the financial year end	Notes to the Financial Statements (Post balance sheet events) (note 38)	190
Likely future developments in the business	Strategic Report	02 to 44
Research and development	Strategic Report	02 to 44
Employment of disabled persons	Responsible Business Report Non-Financial & Sustainability Information Statement	26 to 27 43
Stakeholder engagement	Corporate Governance Report s.172 Statement	46 to 66 62 to 66
SECR energy and carbon reporting	Responsible Business Report	36 to 37
Board diversity	Nomination Committee Report Corporate Governance Report	67 to 71 46 to 66

The information required to be disclosed by Listing Rule 9.8.4R can be located as set out below:

Listing Rule 9.8.4R Information Required	Page
(1) Interest capitalised	N/A
(2) Publication of unaudited financial information	N/A*
(3) N/A	N/A
(4) Details of Long Term Incentive Schemes	N/A
(5-6) Waiver of Director emoluments	N/A
(7-8) Non-pre-emption issues of equity for cash	N/A
(9) Parent participation in a placing by a listed subsidiary	N/A
(10) Significant contracts involving a Director or shareholder	188 to 189 (note 37)
(11) Provision of services by a controlling shareholder	N/A
(12-13) Dividend waivers	104
(14) Agreements with a controlling shareholder	N/A

* For information on the disposal of the Agricultural Supplies division please see note 9 to the financial statements.

DIRECTORS' REPORT CONTINUED

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. The Directors have elected to prepare the financial statements in accordance with UK-adopted international accounting standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose, with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Directors are responsible for preparing the Annual Report in accordance with applicable law and regulations. Having taken advice from the Audit Committee, the Directors consider the Annual Report and the financial statements, taken as a whole, provides the information necessary to assess the Company's performance, business model and strategy and is fair, balanced and understandable.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

To the best of our knowledge:

- the Group financial statements, prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board



Justin Richards
Company Secretary

20 December 2023