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**MORE SHOPS, MORE CHOICE, MORE GROWTH
MORE GREGGS FOR EVERYONE**

GREGGS plc Annual Report & Accounts 2022

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INTRODUCTION

FOCUSING ON THE FUTURE AND OFFERING MORE TO EVERYONE



2022 has been a year of strong progress for Greggs, the result of committed efforts to deliver our strategic growth plan. The significant opportunities on which the plan is based will remain centre stage in the year ahead as we make Greggs more accessible to even more customers. Although consumer incomes remain under pressure, Greggs continues to offer exceptional value to people looking for great tasting, high-quality food and drink on-the-go.

We have an exciting, ambitious plan for the years ahead and, by continuing to nurture what makes Greggs special, I believe we are extremely well-placed to realise the opportunity to become a significantly larger, multi-channel business.

Roisin Currie
Chief Executive
7 March 2023

You can also read our annual report online at
corporate.greggs.co.uk/investors



And read The Greggs Pledge at
corporate.greggs.co.uk/doing-good/



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2022 HIGHLIGHTS OPERATIONAL HIGHLIGHTS

MORE GREGGS FOR EVERYONE

In October 2021, we set out our ambitious plan to double our sales by 2026 and have made great progress against our 2022 targets. We identified four key growth drivers, which are the focus of our plan to reach our full potential in the years ahead, underpinned by investment in our supply chain and systems and our ongoing commitment to doing good through The Greggs Pledge.

[Read more about our progress against our key growth drivers on page 19 →](#)



GROWING AND DEVELOPING THE GREGGS ESTATE

A fundamental part of our strategic plan is shop estate growth. Our ambition is to reach significantly more than 3,000 shops and we have a strong pipeline of new shop openings. We also have a significant opportunity to further enhance the quality of our estate through relocations and the next generation of shop refits. Greggs is a versatile brand. This means we can open a full range of formats in a variety of locations, with our new digital channels enabling us to extend the reach of each shop even further.

[Read more about our plans to grow and improve our shops on pages 20 to 21 →](#)

THE GREGGS PLEDGE

Our sustainability plan, The Greggs Pledge, focuses on how we are doing more to help people, protect the planet and work with our partners to change the world for the better. Our latest sustainability report, The Greggs Pledge, published alongside the annual report, is available to view on our corporate website.

[Read more about our progress against The Greggs Pledge commitments on pages 32 to 34 →](#)



FINANCIAL HIGHLIGHTS*

Total sales

£1,513m

2021: £1,230 million

Total ordinary dividend

59.0p

2021: 97.0p**

Like-for-like (LFL) sales ***

+17.8%

Diluted earnings per share

117.5p

2021: 114.3p

Pre-tax profit

£148.3m

2021: £145.6m profit

Colleague profit-sharing

£16.6m

2021: £16.6m

* Detailed calculations of Alternative Performance Measures, not otherwise shown in the accounts and related notes, are shown on pages 157 and 158

** Includes 2021 additional special dividend of 40.0p paid

*** Like-for-like sales in company-managed shops (excluding franchises) with a calendar year's trading history



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AT A GLANCE

COMMITTED TO TASTING GOOD

WHAT WE DO

We are a modern food-on-the-go retailer, providing a wide menu of food and drink choices wherever and whenever our customers need us throughout the day.



MANUFACTURING

In our own food manufacturing centres of excellence, we make great tasting, freshly prepared food that our customers can trust.

LOGISTICS

We move products from our food manufacturing sites to our shops ourselves, which helps us to keep our prices as low as possible.

OUR PEOPLE

We have more than 28,000 amazing colleagues, working together to provide our customers with the best experience, offering fast and friendly service, day in, day out.

CUSTOMER CHANNELS

With more than 2,300 shops, including over 440 with franchise partners, our wholesale partnership, delivery and Click + Collect, we are available to serve customers wherever, whenever and however they choose.

CUSTOMER RELATIONSHIPS

Through our Greggs App, we are building long-term connections with our customers and rewarding their loyalty. Our CRM systems allow us to talk to our customers on a regular one-to-one basis and to serve them even better, with exclusive offers and benefits for being an App customer.

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AT A GLANCE CONTINUED

OUR PURPOSE

**To make great tasting,
freshly prepared food
accessible to everyone**

OUR VISION

**To be the customers'
favourite for
food-on-the-go**

**DEDICATED
TO DOING GOOD**



OUR CULTURE AND VALUES

Our people are what makes our business successful. We aim to provide them with a great place to work, where they feel valued and have the opportunity to fulfil their potential. Our values commit us to being friendly, inclusive, honest, respectful, hardworking and appreciative. We are proud to hold the National Equality Standard in recognition of our efforts to improve diversity and inclusion across the business.

Read more about our people
on pages 58 and 59 →



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YEAR IN REVIEW

A LOT TO BE PROUD OF

From the annual publication of The Greggs Pledge and making notable progress against our targets including launching our first ever Eco-Shop initiative and opening our 30th Outlet shop, to launching our first fashion collection, celebrating new shop openings including No.1 Leicester Square and hitting key milestones with our franchise partners – there's a lot to be proud of.

FEBRUARY

We launched our first fashion collection with Primark

Greggs merchandise is something our customers had continually asked for, so together with Primark, we launched our first official range, providing our audiences with great accessibility and value. Based on the huge reaction and popularity, this has been followed by a further two collections, including a festival and Christmas range – perfect for fans to quite literally wear their love for Greggs on their sleeves.

APRIL

Second annual sustainability report, The Greggs Pledge, published

We reported on our progress against our ten commitments to do more to help people, protect the planet and work with our partners to change the world for the better, including a pledge to achieve Net Zero carbon, as we all fight to save our planet from the threat of global warming. Our latest report is available to view here: corporate.greggs.co.uk/doing-good/



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JULY

Greggs opens at No.1 Leicester Square

We opened our flagship shop at this prestigious and iconic location in Central London. In keeping with the starry location, our new shop opened with its very own premiere, featuring glitz, glamour and of course... sausage rolls. Fans were encouraged to dress to impress before strutting their stuff down our blue carpet and striking a pose in front of the sparkling paparazzi board.

MAY

Awarded prestigious National Equality Standard

We were proud to be awarded the National Equality Standard (NES) in recognition of our efforts to improve diversity and inclusion (D&I) across the business.

To achieve NES certification, organisations are independently reviewed via a rigorous assessment against a defined set of criteria and best practice standards. Achieving NES accreditation forms a key part of The Greggs Pledge commitment 'Embracing diversity'. Being awarded the standard is an important step in our journey to continuously improve in this area, enhance D&I across the business and ensure our colleagues increasingly reflect the communities we serve.



JULY

Greggs launches Eco-Shop to trial sustainable in-store initiatives

Our Eco-Shop, which opened at Great Billing, Northampton, is a brand new and bespoke format where we will test innovative solutions and initiatives aimed at delivering real progress in reducing the environmental impact of our operations. Successful new ideas and technologies will then be rolled out across the broader shop estate.



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JULY

We celebrated the opening of our 400th franchise shop

We celebrated this big milestone opening with new franchise partner Rontec, in Selby. As we continue to roll out new shops across the country, with an increased focus on targeting on-the-go locations that are accessible by car, franchise partners will continue to play a critical part in supporting our expansion plans. Over many years, Greggs has built and maintained strong and long-standing relationships with some of the UK's largest franchise partners and forecourt operators and today works with 16 franchise partners across the UK.



AUGUST

New pizza line at Enfield commissioned

Our new automated pizza manufacturing line at our Enfield site will support further growth in this important category as well as lowering production costs.



SEPTEMBER

500 shops now open in the evening

We were proud to hit this major milestone with over 500 shops now open until 8pm or later, offering delivery and hot food menu trials. Through longer trading hours in more of our shops, we're able to compete more effectively for food-on-the-go sales in the evening.

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NOVEMBER

Greggs Foundation launches partnership with Rethink Food

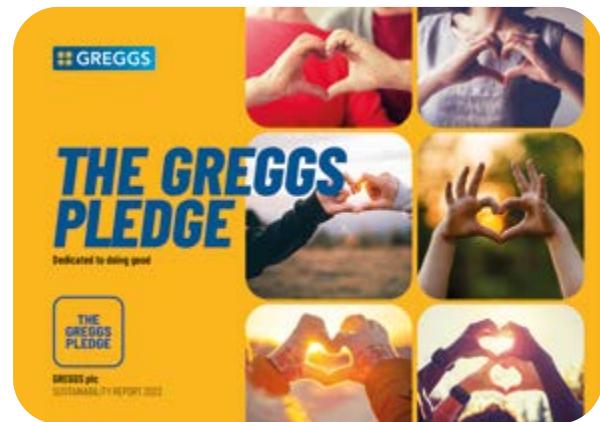
The Greggs Foundation, the independent grant-making charity associated with Greggs plc, has partnered with food education charity, Rethink Food, to launch a free education programme with the potential to teach up to 50,000 UK schoolchildren the importance of food security and sustainability. This partnership will play an important role in furthering the commitments of The Greggs Pledge to build stronger, healthier communities, support schoolchildren and grow the highly successful Greggs Breakfast Clubs programme.



DECEMBER

We opened our 30th Greggs Outlet shop

Our Outlet shops redistribute unsold food at a reduced price to enable those on a tight budget to spend less while still having access to great quality food. Here at Greggs, we know it's important that we do our bit to reduce food wastage and address food insecurity across the UK and that's why we have committed to opening 50 Outlet shops by the end of 2025.



Find out more about our Outlet shops in the latest Greggs Pledge report.

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CHAIR'S STATEMENT

A GREAT BUSINESS WITH A CLEAR STRATEGY

I am delighted to have taken over as Chair of Greggs, a business and brand that I have long admired, and it's great to have joined a company that has, once again, delivered a strong performance in a challenging trading environment. Since joining the Board I have been struck by the capability of the team, the organisational culture and values, and the customer-centric focus across the breadth of the organisation. This puts Greggs in a strong position to deliver on its strategic plan and the many growth opportunities that lie ahead.

Matt Davies
Chair



Overview

Despite challenging macroeconomic conditions Greggs delivered another strong performance in 2022. The whole team has demonstrated its experience and capability in responding as conditions changed rapidly over the year. Continued robust demand for Greggs, at a time when disposable incomes have been under pressure, is testament to the quality and value of the products that we offer and the broad appeal of the Greggs proposition.

I am grateful to my predecessor Ian Durant for facilitating such a smooth handover to the role of Chair, and to my Non-Executive colleagues and Roisin, Richard and the entire Greggs team for their welcome to the business. I have had the opportunity over my first few months in role to visit a number of our manufacturing and logistics sites, to work in a store and in our supply chain, and to meet many Greggs colleagues and customers across the country. What has struck me is the absolute commitment across the business to offering our customers high-quality products at great value, and our customers' affection and trust in the Greggs brand.

Greggs has a deeply-embedded belief in carrying out its business in a responsible manner, for the benefit of all its stakeholders. When times get tough this approach becomes even more important, so it has been encouraging to see the progress made in delivery of the Company's environmental and social commitments in 2022, set out in The Greggs Pledge. This is a crucial foundation for the sustainable growth that we aim to deliver in the years ahead.

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CHAIR'S STATEMENT CONTINUED

Our people and values

I would like to thank all our colleagues for the part they have played in successfully navigating the challenges of the past year. It has really struck me how the people at Greggs are at the very core of our business. They are skilled, passionate, incredibly dedicated, and real ambassadors for the Greggs brand.

The Board devotes significant time to closely engage with Greggs colleagues across the business and discusses the feedback received with the executive management team. By spending time with colleagues in the business and visiting our sites we receive direct feedback that makes for better Board discussions. During the year the Board also spent time with the new Chair of Greggs Foundation, Joanna Dyson. Greggs Foundation provides essential help to the communities where Greggs operates and, at a time when this is needed more than ever, it has both our support and admiration.

In the first half of 2022 Greggs achieved the National Equality Standard accreditation, an industry-recognised standard for diversity and inclusion. This was a significant achievement, following several years of improvement activity. Being an inclusive employer is entirely consistent with Greggs' values-driven approach and in line with our Greggs Pledge commitment for our colleague population to reflect the communities in which we operate. The Board is encouraged by the strong progress being made in this regard.

The Board

Roisin Currie was appointed to the Board as an Executive Director on 1 February 2022 and took over as Chief Executive at the end of the Company's Annual General Meeting on 17 May 2022. Roger Whiteside stood down from the Board at that point but remained available to support the transition process until 5 January 2023. This process was expertly managed by my predecessor as Chair, Ian Durant, and it has been a pleasure to see Roisin develop in the role of Chief Executive. Roisin enjoys strong continuity in her executive team who are alongside her driving delivery of the strategic plan.

As part of our ongoing plans to ensure smooth succession for board roles Lynne Weedall, who joined the Board in May 2022, became Chair of the Remuneration Committee on 1 September 2022.

Following my appointment to the Board in August 2022 I took on the role of Chair on 1 November following Ian Durant's retirement. The Board had asked Ian to stay in position longer than the UK Corporate Governance Code expects in order to provide continuity of leadership as we addressed Chief Executive succession. Under Ian's leadership Greggs has enjoyed a period of outstanding performance, founded on a strong strategic plan, which I fully support. Ian also championed significant improvements in diversity and gender balance at senior levels, a legacy for which we are immensely grateful.

Looking forward we are now preparing for the planned retirement from the Board of Sandra Turner, Senior Independent Director, and Helena Ganczakowski. In anticipation of this we have announced the appointment of Nigel Mills to the Board. Nigel will take on the role of Senior Independent Director with effect from the Annual General Meeting on 17 May 2023. The Nominations Committee has commenced a process to recruit a further non-executive director and we expect to report progress in the year ahead.

Further details of the Board's work are included in the governance and committee sections of the annual report.

Dividend

At the time of the interim results in August 2022 the Board declared an interim ordinary dividend of 15.0 pence per share (2021: 15.0 pence). In line with our progressive ordinary dividend policy and our target for the ordinary dividend to be twice covered by earnings, the Board intends to recommend at the AGM a final dividend of 44.0 pence per share (2021: 42.0 pence), giving a total ordinary dividend for the year of 59.0 pence (2021: 57.0 pence).

Looking ahead

Greggs is a great business with a compelling value-driven proposition and cash-generative business model. Despite the current inflationary pressures, we have a clear strategy and robust financial position underpinning our plans for long-term growth. We remain confident in the long-term potential of our business.

Matt Davies

Chair
7 March 2023



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BUSINESS MODEL

WHAT WE DO

Manufacturing

We make great tasting, freshly prepared food that customers can trust, in our own manufacturing centres of excellence.

Logistics

We move products from our manufacturing sites to our shops ourselves, helping to keep prices as low as possible.

Our people

We have more than 28,000 amazing colleagues, providing our customers with the best experience every day.

Customer channels

With over 2,300 shops across the UK, delivery and wholesale partnerships, and Click + Collect, we can serve our customers wherever, whenever and however they choose throughout the day.

Customer relationships

Our colleagues provide fantastic service that makes our customers shop with us time and time again. The Greggs App and CRM systems allow us to build long-term connections with our customers and reward their loyalty.

WHAT MAKES US DIFFERENT

PURPOSE

QUALITY

CONVENIENCE

VALUE

SERVICE

THE GREGGS PLEDGE

Find out more about what makes us different on [pages 18 to 29](#) ➔

OUR STRATEGIC PILLARS

Great tasting, freshly prepared food

First class support teams

Best customer experience

Competitive supply chain

KEY DRIVERS OF GROWTH

Growing and developing the Greggs estate

Through new shop openings, relocations and the next generation of shop refits, our ambition is to reach significantly more than 3,000 shops.

Developing our digital channels

Through our digital channels, including delivery and Click + Collect, we are able to compete more effectively at all times of day.

Expanding our evening trade

Through extending our trading hours, exciting new additions to our menu and leveraging our existing customer channels, we are able to compete more effectively for food-on-the-go sales in the evening.

Broadening customer appeal and driving loyalty

Through timely, effective customer communication via our Greggs App, website and CRM system, we can communicate with our customers, drive loyalty and be a brand considered by more people when they need food-on-the-go.

Investing in our supply chain and systems for a bigger business

We've transformed our supply chain and systems infrastructure to increase capacity and grow our digital capabilities.

HOW WE ADD VALUE TO OUR STAKEHOLDERS

Customers

No.1

for Value on YouGov BrandIndex 2022, within the QSR, coffee shop and delivery services*.

Colleagues

77%

engagement score in our latest colleague opinion survey.

Suppliers

93.5%

of invoices were paid to suppliers within the terms agreed.

Shareholders

59.0p

paid in line with our progressive dividend policy

Communities

£3.5m

of grants were awarded by the Greggs Foundation.



* Source – YouGov BrandIndex, 18+ UK Nat. Rep. n=24,000+(1st Jan – 31st Dec 22)

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MARKET REVIEW

At Greggs, we continuously monitor the macro environment and consumer trends as they evolve. We do this to ensure we meet the needs of the market and are able to effectively respond to both challenges and opportunities that arise now and in the future.

MACRO TRENDS

CLIMATE CHANGE

The planet is changing rapidly and so must businesses. Understanding the impact of the escalating climate crisis is key.

Greggs response

Our Net Zero Taskforce challenges the climate impact of every area of our operations and drives action to reduce it. We aim to be Net Zero by 2040 – a decade earlier than the UK Government's plan. Improved governance and reporting across all industries and sectors will continue to drive the reduction of carbon emissions across society and assist in the transition to a low-carbon future.

[Find out more in our TCFD report on pages 35 to 41](#)

CONSUMER TRENDS

DIETARY SHIFTS

A growing number of consumers, largely influenced by climate pressures, are reducing the amount of meat in their diets.

Greggs response

Our insights team are constantly researching to understand latest customer preferences. Meat reducing is a trend we have been focusing on for several years, bringing our Greggs vegan sausage roll to the market in 2019. We continue to expand our meat-free options accordingly to meet this need and aim to have a non-meat alternative available across every part of our range.

GEOPOLITICAL UNCERTAINTY

Global political tensions continue and Greggs must ensure business security and continuity amidst these impacts.

Greggs response

Ongoing review and development of our enterprise risk management (ERM) process to ensure business resilience.

HEALTHY EATING

Governments are combating health issues through policy and educational programmes aimed at awareness of healthier options.

Greggs response

We are working within our communities to educate children on the benefits of healthy eating and provide healthier choices in our shops. We provide clear information to help people make informed choices about what they eat. Calorie and nutritional information is available on the shelf, as well as on our website and mobile App. Over the years, we've been working hard to reformulate our products, like working in line with the government's 20% sugar reduction targets and reducing the salt, calories and fat in our products.

[Find out more on The Greggs Pledge commitments on pages 32 to 34](#)

INFLATION/COST OF LIVING

Mounting economic pressure and inflation is directly impacting the market and our consumer base.

Greggs response

As a value-led business, it is vital we are monitoring the economic situation and finding ways to mitigate costs to ensure we continue to support our customers and communities with great tasting, affordable products.

ECO-CONSCIOUS CONSUMERS

Concerns about plastic waste and environmental pollution is impacting customer preference for products deemed 'green' and low impact.

Greggs response

Since 2019, we have been working hard to cut over 350 tonnes of single-use plastics from our operations, and we've been on a mission to remove more ever since. By 2025, we want to eliminate all unnecessary single-use plastic from our shops and manufacturing sites. Our Eco-Shop provides a test bed for future in-store sustainability initiatives aimed at reducing environmental impact of our operations.



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CHIEF EXECUTIVE'S REPORT

A YEAR OF GROWTH, AND EXCITING PLANS AHEAD

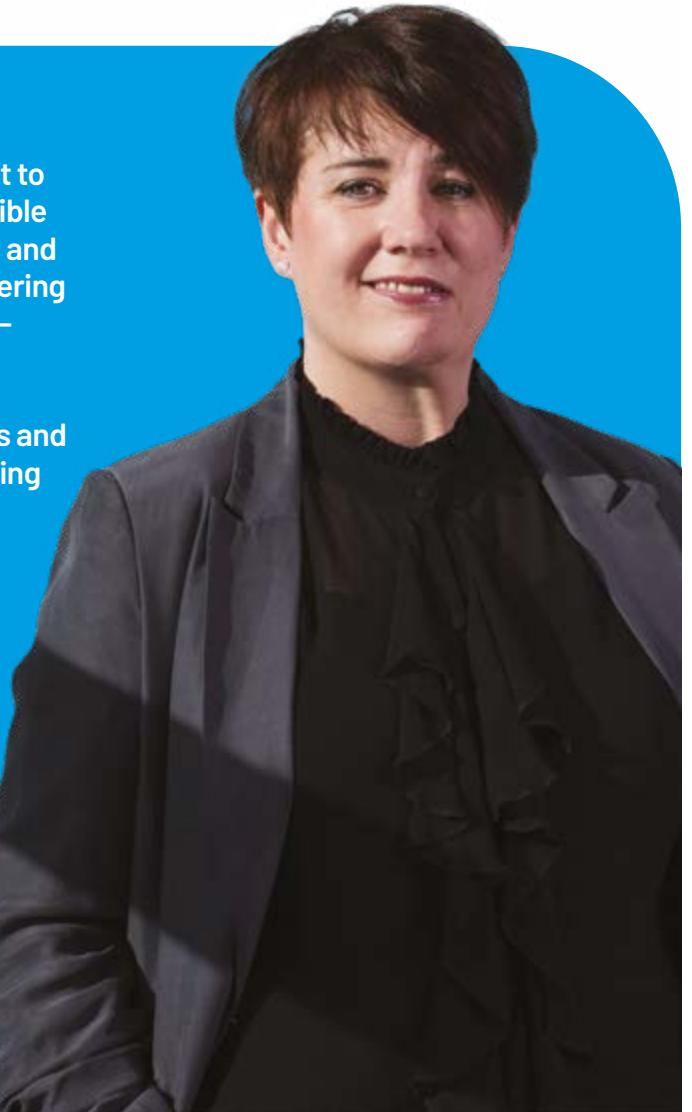
Our purpose is to make great tasting freshly prepared food available to everyone. We want to be the food-on-the-go retailer that is accessible to everyone, whoever and wherever they are, and whatever the meal occasion. That means offering the highest quality at the best possible price – something Greggs does so well.

We have always been there for our customers and – perhaps now, more than ever – they are relying on us to offer great value during these tough economic times.

I'm proud of what our teams have done this year to deliver for them and want to thank them for all their hard work, effort and commitment.



Roisin Currie
Chief Executive



A year of growth

After two years of unprecedented disruption to trading caused by the Covid-19 pandemic, we started 2022 relieved to see what appeared to be a return to more normal conditions. We knew we would come back stronger and better, having learned to cope with extraordinarily challenging trading conditions and proved our resilience through those tough years.

However, we did not foresee the war in Ukraine, and the significant inflationary pressures it would cause. So many of our customers and colleagues have been confronted with a cost-of-living squeeze.

Despite this, 2022 has been a year of strong growth for Greggs. One year into our ambitious five-year plan to double sales, our sales were up 23% on 2021. We opened a record number of new shops, and can already see the benefits of our multi-channel approach to growth, with great progress made in developing our digital offer, as discussed further below.

As every individual, household, and business grapples with rising costs, we have worked hard to protect our reputation for exceptional value, and this has been central to our success. Customers come back to us again and again because we offer great quality and great value. To maintain that positioning, we have focused on driving efficiencies to offset external cost pressures wherever possible and to mitigate the need for price rises. We regularly monitor our prices and our customer reputation for value to make sure that we maintain this important competitive position. In 2022, Greggs retained its #1 rank for Value within YouGov's QSR, coffee shop and delivery services sector, a position it has held since the index started in 2013.

Through the year, customer numbers continued to increase towards pre-pandemic levels. Our most loyal customers are increasingly recognising the benefits of using the Greggs App when they shop with us, including free products and the convenience of Click + Collect.



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CHIEF EXECUTIVE'S REPORT CONTINUED

In addition to the tough economic climate, another challenge has been ongoing travel disruption which has displaced customers from their usual routines. We have successfully navigated this thanks to our diverse portfolio of shops, which meant, as it did during the pandemic, that we were able to serve customers in different locations – many of those who were unable to make it to their workplace chose to visit a Greggs in their local high street or nearby shopping centre instead.

People are at the heart of Greggs, and we continue to nurture our friendly, welcoming culture. Our ambitious new shop opening programme and extended opening hours have required our teams to increase the focus on recruitment. In a full employment economy, we have had to work creatively to find the right people to fill these roles. For example, during 2022, we invested in our recruitment processes to improve the candidate experience and give new joiners an easier start to their journey with Greggs.

Financial results

Total sales grew to £1,513 million in 2022 (2021: £1,230 million), a 23.0% increase on the level seen in 2021. Within this, company-managed shop like-for-like sales were 17.8% higher than the equivalent period in 2021.

Pre-tax profit for the year increased to £148.3 million (2021: £145.6 million), reflecting strong sales growth in the face of significant cost inflation and the removal of Government pandemic support, as detailed further in the financial review, on pages 43 to 45.

Saying thank you

Our continued financial success depends on the amazing service provided by the 28,400 colleagues who make, transport, or sell our products. One of the things that makes Greggs so special is our long tradition of sharing 10% of our profits with our people. Our strong performance in 2022 means we will share £16.6 million with them.

Our strategic growth drivers

Our strong financial performance in 2022 was the result of the continued delivery of our strategic growth plan: growing and developing our estate, extending our offer into the evening, maximising our use of digital services, broadening customer appeal, and driving loyalty. These objectives are underpinned by investment in our supply chain and technology in preparation for being a bigger business.

Growing and developing the Greggs estate

We want our shops to be the best that they can be, with better access, more space, and providing a brilliant customer experience.

We opened a record 186 new shops (including 70 franchised units) in 2022 and closed 39, growing the estate to 2,328 shops as at 31 December 2022, 441 of which are franchised shops operated by our partners, mainly in roadside locations. We continued to expand our presence in retail parks, in Central London and key transport hubs, with shops opening in Leicester Square and Liverpool Street Station, as well as Birmingham and Liverpool airports. As a result, 1,600 new shop team jobs were created during the year.

Our ambition is to have significantly more than 3,000 shops across the UK, and we are expanding in new locations to achieve this – setting up shops inside supermarkets, in travel hubs like airports and railway stations, as well as in retail parks and shopping centres. The versatility of our shop format is one of our greatest strengths, operating in anything from a kiosk to a full-service drive-thru unit.

We relocated 25 existing shops to better sites in 2022, allowing us to increase coffee shop seating as well as expand our food preparation space so we can meet the demand of our home delivery and Click + Collect services. In addition, we refurbished 73 existing company-managed shops and 13 franchised shops to our latest format.

186

New shops (including 70 franchised units)
opened in 2022

500

Shops open until 8pm, or beyond

We are also reaping the benefits of maintaining strong relationships. The trust that landlords place in us, backed by our financial strength, is making it easier to find good sites at a reasonable price.

In 2023, we plan to refurbish a further 150 company-managed shops, relocate 40 shops to new, larger sites, and open around 150 net new shops, including around 50 with franchise partners.

Evening trade

We want to be able to serve our customers wherever, whenever, and however they choose. That's why we extended the opening hours of 500 shops until 8pm or beyond – this has given us the opportunity to compete for food-on-the-go sales in the evening. The evening daypart is now the strongest growing segment of the day, albeit from a relatively low base – in 2022 our share of post-4pm visits was only 1.2% (source: NPD Crest).

In the evening many of our existing favourites such as chicken goujons and pizza slices have proved popular, including sharing boxes via our delivery service. We also introduced warm versions of some of our core products, with Hot Yum Yums and salted caramel dipping sauce going viral.



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CHIEF EXECUTIVE'S REPORT CONTINUED

We are a much-loved and trusted brand and have been around for over 80 years, building a reputation for offering exceptional value to people looking for great tasting, high quality food and drink on-the-go, with fast and friendly service.

PURPOSE

To make good, freshly prepared food accessible to everyone.

QUALITY

We want our products to be the best they can be.

CONVENIENCE

We want to be able to serve customers wherever, whenever and however they choose.

VALUE

We offer great value in an extremely competitive marketplace.

SERVICE

We provide customers with fast and friendly service, fixing issues without a fuss and rewarding them for their loyalty.

THE GREGGS PLEDGE

Stronger, healthier communities.
Better business. Safer planet.

WHAT MAKES US DIFFERENT?

on TikTok! We have expanded our range to include salad meal boxes which can be eaten hot or cold – such as our vegan sweet potato bhaji – and continue to grow our popular vegan-friendly offering. Whether our customers follow a vegan diet or not, we know many more people are choosing to eat less meat for ethical, environmental or health reasons, and we are meeting that need.

We are able to offer home delivery from around 80% of our late opening stores, which is extending our reach further and will, in time, make more of our estate viable for evening trading. During 2023, we plan to extend opening hours in 300 shops to 9pm and will trial 24-hour drive-thru shops.

Digital channels

Our multi-channel development strategy has allowed us to increase our reach and build customer loyalty, while making it easier for us to compete at all times of the day.

The Click + Collect service on the Greggs App allows a customer to see our menu, personalise their order, and then skip the queue to pick it up. Customisation started with our breakfast menu; we have now built on that success by introducing customisable pizzas and are now testing whether we can offer the same with sandwich baguettes. The convenience of Click + Collect is key and our focus in 2023 will be on further improving the collection experience for our customers.

Home delivery continues to be a growth area for the business, allowing us to reach more people, including those who aren't on the go, or who are in a location where they can't access us easily. Our partnership with Just Eat continued to strengthen, and we worked together to optimise the menu,

and reduce complexity – for both our shops, and our customers. Delivery remains a growing market; the delivery share of overall 'out of home market' visits increased to 10.8% in 2022, up on the pre-pandemic level of 7.7% from 2019 and reflecting normalisation when compared to the Covid peak of 16.2% in 2020 (source: NPD Crest). 1,270 of our shops now offer a delivery service, and this accounts for circa 5% of sales overall. Consistent with the market trend, our delivery volumes have been normalising as in-store volumes recover post-Covid, but the longer-term opportunity remains intact and we are committed to developing this further in the year ahead, both by broadening the reach of the service and by raising operational standards.

Broadening customer appeal and driving loyalty

We continue to be successful in further enhancing perceptions of the Greggs brand and, for the 5th consecutive year, ranked #1 in YouGov's BrandIndex within the QSR, coffee shop and delivery services sector, achieving our



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CHIEF EXECUTIVE'S REPORT CONTINUED

highest ever score in 2022. Brand health has never been higher; our marketing investment is increasing the number of food-to-go shoppers considering the Greggs brand and intending to purchase with us – now converting at a record level of 42%. Greggs has also seen its highest share of the food-to-go market, now at 7.7% of visits (as measured by NPD CREST, Q4 2022).

We want Greggs to be the food-on-the-go brand of choice for more people, more of the time. Effective customer relationship management is crucial for this: our emails, text messages, web and app personalisation, and targeted social adverts help us to keep our customers informed and engaged. We continue to invest in and improve these as part of our digital workstream. The Greggs App offers our customers a much more engaging and user-friendly experience, as well as allowing them to earn stamps and redeem rewards for their purchases. In Q4 2022 we had 1.1 million individual active users of the app (up from 0.4 million in Q4 2021) and customers scanned the Greggs App in 8.1% of company-managed shop transactions.

Investing in our supply chain and systems for a bigger business

Underpinning the four strategic growth drivers is our ongoing programme of investment in our supply chain and technology to ensure we can grow our business efficiently. As we work towards our target of having significantly more than 3,000 shops in the UK, we are making significant investments in manufacturing and logistics to increase capacity and reduce the carbon footprint of our operations.

In 2022, we undertook preparatory works at Balliol Park in Newcastle ahead of adding a fourth line that will extend production capacity of our iconic savoury products in 2023. We also commissioned a new pizza manufacturing line at our

Enfield manufacturing site, tripling our national capacity for this popular range. Our logistics team completed a programme of route optimisation for our radial fleet and are in the process of switching our primary fleet to double-deck trailers to allow us to move more goods per journey – examples of projects which are helping to reduce our carbon emissions in line with our Greggs Pledge commitment to become a Net Zero business.

Looking forward we plan to commence the redevelopment of our distribution centres in Birmingham and Amesbury in 2023 in order to add additional logistics capacity to our network by the end of 2024. Further investment in the Midlands area will follow across 2024 to 2026 as we develop a national distribution centre and a manufacturing and frozen storage facility, which will support the capacity requirements of our growth plans.

We have now completed the initial deployment of SAP across our supply chain, a crucial part of building a centralised business model. We continue to invest in technology transformation and improving our digital capabilities as well as making sure our new channels are fully integrated into our core systems.

We are also investing in making our processes simpler and more streamlined, whether that's allowing our customers to interact with us digitally, automating back-office activities, or improving the software for our tills.

Having good data allows us to make better decisions, and the introduction of Microsoft Business Information tools has made a real difference. Improved data visualisation and availability across the organisation has made it easier to analyse the numbers, understand trends, and glean insights.



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Making the world a better place

The Greggs Pledge

We are committed to our products tasting good, but what sets us apart is our dedication to doing good. Our sustainability strategy has three objectives: to help build stronger, healthier communities; to make our planet safer; and to be a better business.

We launched The Greggs Pledge in 2021, setting out ten areas to focus on to deliver these three objectives by the end of 2025 and beyond. We are making good progress against our targets and will publish a separate sustainability report that provides a detailed progress report.

Stronger, healthier communities

As our customers and communities grapple with rising costs, our work to get food to those most in need is as important as ever.

There are now 789 Breakfast Clubs up and running across the UK, serving a free breakfast to 49,000 primary school children each school day. We plan to have 1,000 clubs open by 2025.

Redistributing unsold food – a key part of our food waste reduction strategy – is helping thousands of families to make ends meet. At the end of every day, we clear our shelves of fresh food and aim to pass it on. In 2022, we donated 1,165 tonnes to local and national charities and sold 1,060 tonnes of heavily discounted food to our customers via the Too Good To Go app.

We also use our expanding network of Greggs Outlet Shops – a companywide initiative originally set up in 1972 to support socially deprived areas and help reduce food waste by redistributing unsold food items. We have committed to have 50 Outlet Shops nationwide by 2025 and, in 2022, opened our 30th, in Newham, East London. A proportion of the profits from each of these shops is given to local charities that are working to tackle food insecurity.

Making our planet safer

A key highlight in 2022 was the setting of near-term science-based emissions reduction targets based on a 1.5°C pathway, which have been approved by the Science Based Targets initiative. These targets will support our ambition to be Net Zero in Scopes 1 and 2 by 2035, and in Scope 3 by 2040.

Achieving Net Zero in our operations will require a switch to renewable energy sources (already, we only buy green electricity and have begun the switch to biogas), and investments in more efficient equipment. In July, we opened our first Eco-Shop in Great Billing, Northampton. It is a brand new and bespoke format where we test innovative solutions and initiatives aimed at reducing the environmental impact of our entire estate.

Better business

In May, we were accredited with the prestigious National Equality Standard, an industry recognised standard for diversity and inclusion. There is more to do – and Commitment 8 of The Greggs Pledge is dedicated to that – but this evidences the good progress that we are making.

I am proud of our reputation for bringing the best talent through the business regardless of gender. We have a balanced Board, and women make up half of the management population of Greggs. Overall, 67% of our total workforce is female.

Fundraising

Every year, our colleagues and customers show extraordinary generosity and a genuine willingness to support people who need help.



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CHIEF EXECUTIVE'S REPORT CONTINUED

We donate around 1% of our profits to Greggs Foundation; in 2022 this totalled £1.5 million, providing funding for Greggs Breakfast Clubs, community organisations and individual hardship grants. Greggs Foundation also receives funding from a number of other sources, including dedicated Greggs products, colleague fundraising and collection boxes in our shops.

The war in Ukraine is a human tragedy that has shaken us all. Throughout March and April our instore donation buckets were turned over to collect money for the Disasters Emergency Committee (DEC) Ukraine Humanitarian Appeal, raising over £280,000. Most recently our shops have been supporting the DEC Turkey-Syria Earthquake Appeal.

In November, we celebrated our 'sweet sixteen' as a BBC Children in Need partner, helping to improve the lives of children and support our communities across the UK – raising over £782,000 this year alone.

Looking forward

Focused on growth

Our four strategic growth drivers will remain a key focus in the year ahead. While the widely publicised economic challenges are not expected to go away, we are well positioned to successfully navigate them and remain confident in our ability to deliver continued success. Although consumer incomes will remain under pressure, Greggs continues to offer exceptional value to people looking for great tasting, high-quality food and drink on-the-go.

Keeping our people at the heart of what we do

Our people are what makes our business successful, and it is important that we provide a great place to work, where they feel valued, so that they choose to stay with us.

We take time to listen to the views of our colleagues. More than 21,000 of our 28,400 colleagues took part in our

engagement survey in 2022, telling us what is working well and what they think could be improved. With an overall engagement score of 77%, we know our people are motivated, and committed to Greggs. However there is always room for improvement, and we will continue to stay focused on our colleague engagement agenda.

Recruiting great new people to join our growing team is crucial too: our work in 2022 to upgrade our recruitment platform means we are better positioned to attract new colleagues in a tight labour market in the year ahead.

Greggs' secret sauce

Since I joined Greggs in 2010, I have felt privileged to be part of such an amazing team. As Chief Executive, and leader of the team, I am more aware than ever of how our success is the result of everyone's contribution; our magic comes from us exceeding the sum of our parts.

Our culture and values are what makes Greggs, Greggs. As we grow, we will keep these at the heart of every decision we make. We talk about our unique culture being our 'secret sauce' because when people enjoy coming into work, they do a better job, and that makes Greggs a stronger, better business. Continuing to treat people well, and valuing everyone's contribution, are central to our success.

Becoming Chief Executive has reminded me of the importance of offering the right support and guidance so that everyone is empowered to do the best job possible: from the newest member of the team, who might be in their first ever job; to the shop manager who has just been promoted and is still finding their feet; to the new production operative who needs some encouragement.

My ambition is to ensure that we continue to nurture and evolve that 'secret sauce' and enable everyone to be the best version of themselves. For me, it's one of the most important parts of my job.



Current trading and outlook

We have started 2023 well, with like-for-like sales in company-managed shops growing by 18.8% in the first nine weeks, in line with our expectations and reflecting the impact of Omicron in the comparator period. Cost inflation will continue to be a challenge in the year ahead, driven particularly by pay awards and energy costs, but we are confident that our outstanding value proposition will remain compelling as customers look to make their money go further. As such, we remain confident in the prospects for the business in 2023.

We have an exciting, ambitious plan for the years ahead and, by continuing to nurture what makes Greggs special, I believe we are extremely well-placed to realise the opportunity to become a significantly larger, multi-channel business.

Roisin Currie

Chief Executive
7 March 2023



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OUR STRATEGY

ENSURING GROWTH IN THE YEARS AHEAD

OUR FUNDAMENTAL STRATEGIC PILLARS

1. Great tasting, freshly prepared food

You cannot beat freshly baked, freshly prepared food. With our great flavours, responsibly-sourced ingredients, consistent quality and outstanding value, our food-on-the-go leads the way.

2. Best customer experience

Fast and friendly service is a key reason why customers choose Greggs. Great service is not an easy thing to deliver under pressure, and our shop teams do an amazing job. Through our Greggs App, we are able to build long-lasting relationships with our customers and reward their loyalty.

Whilst Greggs has enjoyed tremendous success in recent years as we continued to focus on becoming the customers' favourite for food-on-the-go, our journey is far from over. We have an ambitious plan to double Greggs' sales and while the fundamental strategic pillars of our business model have not changed, we are continually learning and adapting. To reach our full potential in the years ahead, our strategy is focused on four key drivers of growth and underpinned by investment in our supply chain and systems.

3. Competitive supply chain

By owning our supply chain, we're able to make our tasty products and transport them to shops ourselves – offering our customers great quality food that delivers the best possible value for money.

4. First class support teams

We've invested heavily in leading-edge systems. They equip our support teams to provide the best service to their colleagues and, ultimately, to our customers.

The Greggs Pledge: Dedicated to doing good

STRONGER, HEALTHIER COMMUNITIES

We pledge to play our part in improving the nation's diet by helping to tackle obesity, providing free breakfasts to schoolchildren, supporting families in hardship and giving surplus food to those who need it most.



SAFER PLANET

We pledge to become a carbon neutral, zero waste business.



BETTER BUSINESS

We pledge to increase the diversity of our workforce and to use our purchasing power responsibly, with the aim of making things better in our supply chain.



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OUR FOUR KEY DRIVERS OF GROWTH

Growing and developing the Greggs estate

With a strong pipeline for new shop openings alongside a significant opportunity to improve the quality of our estate through relocations and the next generation of shop refits, our ambition is to reach significantly more than 3,000 shops across the UK.

[Read more on page 20](#)

Expanding our evening trade

Through extending the trading hours in many of our shops, delivering new and exciting additions to our menu and leveraging our existing customer channels – both walk-in and digital – we have a strategic opportunity to effectively compete for food-on-the-go sales in the evening.

[Read more on page 22](#)

Developing our digital channels

Through our digital channels, we are able to compete more effectively at all times of day. Our delivery partnership with Just Eat enables us to increase the reach of our shops beyond customers passing by and, in addition, offers the added attraction of serving multiple customers in one order with higher-than-average basket size. Click + Collect offers our customers the ability to easily browse our menu, skip the queues and personalise their order.

[Read more on page 24](#)

Broadening customer appeal and driving loyalty

We continue to successfully reposition the Greggs brand to become recognised as a customer favourite for food-on-the-go. Through our brand activity, and with timely and effective customer communication via our Greggs App, website and CRM systems, we have the opportunity to effectively communicate how Greggs can be a brand considered by more people, in more places and at all times of day when they need food-on-the-go.

[Read more on page 26](#)

Investing in our supply chain and systems for a bigger business

Underpinning our ambition to double sales revenues is significant investment in manufacturing and logistics to increase capacity. Building a centralised business model has required a transformational investment in systems and, now that our SAP implementation across our supply chain has been successfully completed, we continue to accelerate our digital transformation programme. With this new platform in place, we see significant opportunities to grow our digital capabilities and enable more efficient operations which will see a programme of continuous improvement as the business grows.

[Read more on page 28](#)



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OUR STRATEGY IN ACTION
GROWING AND DEVELOPING THE GREGGS ESTATE

Our ambition is to reach significantly more than 3,000 shops and we have a strong pipeline of new shops opening. We also have a significant opportunity to improve the quality of our estate through relocations and the next generation of shop refits.

SETTING UP SHOP: MORE GREGGS



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OUR STRATEGY IN ACTION CONTINUED GROWING AND DEVELOPING THE GREGGS ESTATE CONTINUED

Greggs is a versatile brand. That means we can open a full range of formats in a variety of locations, with our new digital channels enabling us to extend the reach of each shop even further.

Our mission is simple – we want Greggs to be accessible, wherever, whenever and however our customers need us. And by ensuring our shops are the best they can be, our customers have a brilliant experience when they visit us.

As well as opening new shops, we want our existing shops to be bigger and better which means improving all of our shops through our next generation of shop refits and moving some shops to better locations.

New shop openings

When a customer is choosing where to shop for food-on-the-go, we know that convenience is the key consideration. We already have a strong presence in traditional towns and suburban locations, so will continue to focus on increasing our presence in locations where people travel, work and/or access by car.

2022 was a record year as we accelerated our shop opening programme – opening 147 net new shops and growing the estate to 2,328 shops. We have a strong pipeline and exciting new locations in development for 2023.

We continued to grow our presence in Central London, opening a number of new shops in high footfall areas and travel hubs, including our flagship shop at No. 1 Leicester Square and at Liverpool Street Station. We launched our new café format 'Tasty by Greggs' within the Primark stores located on Oxford Street, London and in Birmingham. Following a successful trial with Tesco in 2020, we rolled out our partnership to a further nine shops. We opened five standalone drive-thru-shops. We also opened our Eco-Shop at Great Billing, Northampton – a brand new and bespoke

format where we will test innovative solutions and initiatives aimed at delivering real progress in reducing the environmental impact of our operations. Successful new ideas and technologies will then be rolled out across the broader shop estate. We also celebrated the opening of our 30th Greggs Outlet shop – highlighting strong progress in our commitment to open 50 Outlet shops by the end of 2025.

Bigger and better shops through refits and relocations

In addition to opening new shops and growing our estate, we are focusing on improving the quality of our existing shops through the next generation of shop refits and relocations. In 2022 we continued to evolve and refine our newest design of shop refits, maximising space and increasing our capabilities in food preparation enabling us to realise the potential of both our delivery and Click + Collect digital channels, whilst also offering the best experience for walk-in customers.

Based on this latest design we plan to move more shops to larger, better premises, allowing us to add more coffee shop seating and deliver multi-channel growth. We completed 25 re-sites in 2022, with a strong pipeline as we move into 2023.

Increasing customer reach through our franchise and wholesale partners

In 2022, we welcomed SSP, Rontec, Ascona and Sodexo on board, bringing our total to 16 franchise partners and 441 franchise locations.

Our partners play an important role in providing access to restricted locations such as motorway service areas, petrol filling stations, educational establishments and smaller high street convenience locations. We were proud to celebrate our 400th shop opening with new franchise partner Rontec, in Selby. We expect franchise shops to account for 20% of our estate in the years ahead.

In 2022, our longstanding partnership with Iceland hit an 11-year milestone. We extended our product range into the sweet category to Iceland to include our Milk Chocolate and Triple Chocolate Cookies. Our popular mini steak and mini cheese rolls have become a permanent addition to our range, creating great opportunity to maximise the category during party events such as the Jubilee, Halloween and Christmas. Our Vegan Festive Bake also launched into Iceland for the first time in 2022, growing our festive offering to the consumer.

PLANS FOR 2023

We have an annual shop opening target of 150 net new shops including drive-thrus, travel hubs and supermarkets, comprised of 100 company-managed shops and 50 franchised shops.

We will also focus on providing bigger and better shops to serve all channels, by targeting 40 relocations and 150 refits. As part of our ongoing commitments set out in The Greggs Pledge, we plan to open more Greggs Outlet shops and continue the roll out of our Eco-Shop elements.



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OUR STRATEGY IN ACTION CONTINUED
EVENING TRADE

EVENING: MORE TIME & MORE CHOICES

We have a strategic opportunity to compete for food-on-the-go sales in the evening and are extending the trading hours in many of our shops, adding new and exciting items to our menu and leveraging all of our customer channels.



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OUR STRATEGY IN ACTION CONTINUED EVENING TRADE CONTINUED

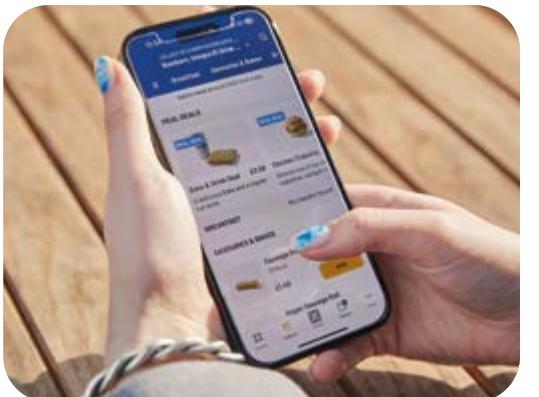
With over 500 shops trading until 8pm and beyond, we have made excellent progress in extending opening hours across our shop estate and built a strong foundation to kick start our five-year evening growth plan.

We had fast growing evening sales in 2022 and have achieved this by adding very little complexity into our shops. We will further explore our evening menu proposition to meet customer expectations for both walk-in and digital channels – which we believe will make this opportunity even greater.

Our partnership with Just Eat

We launched our partnership with Just Eat in 2020 and, since then, have rolled it out to over 1,270 shops nationwide. Over 400 of our evening shops are available on Just Eat after 6pm and this is something we will continue to expand in 2023. In 2022, we served over two million customers and fulfilled over 7.3 million delivery orders.

Offering home delivery is key to accelerating our plans for extended opening hours and we have big plans to further expand delivery in the coming year, adding more locations and more menu choices to strengthen our proposition at every meal occasion.



Menu development

In addition to trialling new and exciting hot products that could have day-long appeal, our existing range continues to perform well in the evening daypart.

To build on this demand and make even more of our core products appealing to the evening market, we now offer a number of our existing sweet treats with the option to have them hot including Yum Yums, Brownies and Cookies, served with a chocolate or salted caramel dipping pot.

Chicken Goujons and Bites and Pizza Sharing Boxes alongside our single slice and meal deal offers are also popular and in 2022 we added two new pizza choices to the menu – Mexican Chicken and Pepperoni Hot Shot.



2 million
Customers served on Just Eat

7.3 million
Delivery orders fulfilled

PLANS FOR 2023

We will further explore our evening menu proposition to meet customer expectations for both walk-in and digital channels. We expect evening to remain our strongest-growing daypart in the year ahead and will continue to extend our trading hours where there is an opportunity to do so. We will also trial 24-hour opening at selected drive-thru locations.



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OUR STRATEGY IN ACTION CONTINUED
DIGITAL CHANNELS

Through our digital channels, we have the strategic opportunity to compete more effectively at all times of the day. Our delivery partnership enables us to increase the reach of our shops beyond customers passing by, and Click + Collect offers our customers the ability to easily browse our menu, skip the queues and ultimately personalise their order.

SNAPPING UP TREATS: IN MORE WAYS



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OUR STRATEGY IN ACTION CONTINUED DIGITAL CHANNELS CONTINUED

When the pandemic hit in 2020, we rapidly accelerated our multi-channel development strategy to take Greggs to our customers, wherever they were. Digital channels offer the key opportunity for Greggs to increase market share by increasing menu choice, multi-channel reach and customer loyalty.

We launched our partnership with Just Eat in January 2020 and delivery now accounts for almost 5% of sales. Delivery offers the added attraction of serving multiple customers in one order, with average basket size three times that of a typical walk-in purchase.

With delivery through Just Eat now available in 1,273 of our shops nationwide, we are focused on further improving our operational procedures to fulfil that demand and enhancing our offer to ensure the best customer experience.

Enhancing our delivery offer for customers

In 2022, we introduced a number of improvements to enhance our presence on the Just Eat platform, ensuring the customer journey and experience is the best it can be, such as improving the menu capability to ensure that it is as easy to navigate as possible.

Through key promotions and exclusive deals, we were able to enhance our offer to customers and build on our reputation for great value, including 'Cheeky Tuesday' – 20% discount when spending £15 across all dayparts on Tuesdays, and promotions during key calendar events, such as the UEFA Women's Euros and the Men's FIFA World Cup later in the year.

Click + Collect

Click + Collect is available through both the Greggs App and website – enabling customers to easily browse our menu, skip the queues and personalise their order. Click + Collect is also encouraging customers to trade up, speeding up service by removing payment at the till, and – by making to order – has the potential to reduce waste too. We have worked hard to build the capability that allows customers to earn and redeem Greggs rewards against their purchases. In 2022, we implemented key operational efficiencies to successfully reduce the Click + Collect order window from ten to five minutes to allow customers to collect their order more quickly. We have harmonised our Click + Collect range with what's on offer in our shops, meaning customers in certain areas can now order their regional favourites. Another key feature of our digital capability is the ability for customers to access more information about each menu item which now includes improved nutritional and allergen information to help everyone to make informed choices.

Made-to-order

Through our breakfast sandwich range, we've been offering our customers the ability to customise their sandwich and have it made-to-order for a number of years. This has proved hugely popular and offers an opportunity to roll this out across additional products and dayparts. In 2022, we successfully trialled and rolled out our made-to-order pizzas to all shops through the Click + Collect menu. Customers can add up to three toppings including Mexican chicken, pepperoni, red onions and jalapenos. Trials for made-to-order baguettes are well underway and will continue into 2023.

1,273

Shops partnered with Just Eat
at the end of 2022

PLANS FOR 2023

Where opportunity allows through new shop openings, we will continue to extend our delivery partnership with Just Eat, helping us to fully maximise the at-home and evening trade opportunities. Product development, in particular hot food options across all mealtimes, will ensure that we continue to provide the types of food-on-the-go that our customers want, no matter what time of the day they choose to shop with us. We will further develop our 'made-to-order' range and continue our customised baguette trial. We will further enhance the collection experience to make it as convenient as possible for our Click + Collect customers.



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OUR STRATEGY IN ACTION CONTINUED
BROADENING CUSTOMER APPEAL AND DRIVING LOYALTY

THE GREGGS EFFECT: MEANING MORE TO MORE PEOPLE

We have successfully repositioned the Greggs brand in recent years to become recognised as a customer favourite for food-on-the-go. Through timely and effective customer communication via our new Greggs App, website and CRM system, we have a strategic opportunity to effectively communicate how Greggs can be a brand considered by more people, in more places and at all times of the day when they need food-on-the-go.



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OUR STRATEGY IN ACTION CONTINUED BROADENING CUSTOMER APPEAL AND DRIVING LOYALTY CONTINUED

You're never far away from a Greggs

As a brand we're there to serve customers throughout the day providing freshly prepared food that delivers great value, fills you up and keeps you going through the day. So, whether it's pre-ordering your early morning coffee via Click + Collect, grabbing your lunch on the go, or having pizza delivered to share in the evening – Greggs satisfaction is never far away, whenever or wherever you fancy.

In 2022, we continued to develop our investment strategy across brand and digital channels as well as in our marketing capability, to ensure that we reached all food-to-go consumers across the UK throughout the day – continually promoting the products and services available in our shops and online.

At a headline level, we focused on making more people aware of everything that Greggs has to offer, whilst building out our digital and data driven products to better understand our customers' needs, and to further reward those who shop with us more often.

By the end of the year, brand health had never been stronger with record numbers of UK consumers considering Greggs as a food-to-go destination. More and more customers downloaded and started to use the Greggs App, and our brand partnership strategy – working together with leading UK brands such as O2 – allowed them to reward and say thank-you to more of their colleagues and customers with Greggs products.

So, as well as being able to serve more customers more often in our shops, we now have more channels than ever through which to communicate all of the benefits that Greggs delivers as a food-on-the-go destination, and encourage more customers to shop with us, more often.

Building our digital capability and rewarding loyalty

We continued to develop the Next Generation Greggs workstreams, bringing more of our digital and data capabilities in-house, supported by a number of best-in-class vendors and partners.

To allow more people to give the Gift of Greggs we continued to evolve the re-launch of [greggs.co.uk](https://www.greggs.co.uk) with a brand-new gifting journey that provided a better shopping experience for customers, whilst providing enhanced capability to offer a variety of ways to buy and personalise Greggs Gift Cards.

We also embarked on a journey to bring our other customer-facing websites in line with [greggs.co.uk](https://www.greggs.co.uk), including our corporate, recruitment and Greggs Foundation domains – expanding our digital infrastructure and content management systems, and establishing a library of our design components that aligns all aspects of our digital estate.

Following the successful launch of the new Greggs App in 2021, we've delivered a number of usability improvements based on feedback from our customers, and exciting new features, including the integration of delivery and gifting into the App experience.

Not only did this benefit existing users of the App, but also helped generate a 111% increase in downloads year-on-year. In turn, this has allowed us to significantly increase our CRM base across channel, meaning – aligned to our brand strategy – we can send more personalised and targeted comms to customers as and when the time is right based on their preferences, as well as being able to surprise and delight customers as an extra way to say thank you!

One of the biggest developments in the Greggs App this year has been for our colleagues, who can now enjoy their colleague discount and earn rewards in one simple scan. Launched in December 2022, we saw almost 40% of colleagues switch over to using the App in the first five weeks.

PLANS FOR 2023

Aligned to our five-year plan, we'll continue to evolve our brand and digital strategies in 2023 – with increased media investment across channels and new and exciting brand partnerships and activations, alongside building out and enhancing our digital and data capabilities.

As we continue to make Greggs mean more to more people, we'll have more than ever to talk about throughout the day, ensuring we're relevant from your first to last meal of the day, and everything in between!

As we continue to develop our loyalty proposition, we'll deliver more ways to reward our customers, meaning the more often they shop with us, the more value they can enjoy.

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OUR STRATEGY IN ACTION CONTINUED
INVESTING IN OUR SUPPLY CHAIN AND SYSTEMS FOR A BIGGER BUSINESS

Over recent years, we have transformed our supply chain and systems infrastructure to create a centralised food-on-the-go business model. Our ambition to double sales revenues will require significant investment in manufacturing and logistics to increase capacity.

INVESTING MORE FOR SUCCESS



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OUR STRATEGY IN ACTION CONTINUED INVESTING IN OUR SUPPLY CHAIN AND SYSTEMS FOR A BIGGER BUSINESS CONTINUED

We've made better use of space and invested heavily in centralised automation, delivering a step-change improvement in the quality of our products and our supply chain cost structure. This has also allowed us to create a template on which we can build additional capacity and continue to grow as a business to fulfil our ambition to double sales revenues.

Completion of our major process and systems investment programme

We successfully completed the roll out of our multi-phase SAP programme that has touched all of our organisation, with our last supply chain sites at Kettering and Seaham (Iceland packing operation) going live at the start of 2022. Continued strong financial delivery demonstrates the benefits of the recent automation activities in our manufacturing operations.

Increased capacity at Balliol Park delivering strongly

Our debottlenecking works, designed to increase savoury capacity on Line 1 at Balliol Park by 50%, are now delivering strongly and have been critical to support high savoury demand, particularly during quarter four. We are making good progress with the development of an additional savoury line which is on track to start up in the latter part of 2023, further increasing our capacity for volume and growth.

New automated pizza line at Enfield manufacturing site

We successfully commissioned our new automated pizza line at our Enfield manufacturing site – trebling our pizza production volume with capacity to make up to 1.5 million additional pizzas each week.

Improved business reporting with Microsoft Power BI

The roll out of new improved business reporting with Microsoft Power BI has continued as we enabled further areas beyond retail to have access to more powerful business data to drive decision making.

Our franchise partners have also benefited from the consolidation of all reporting, communications and content being delivered through a new modern portal to simplify their activities and give a consistent experience in a safe and secure way.

Continuous improvement to shop systems, benefitting our colleagues and customers

In retail, we have continued to evolve our in-shop solutions to further improve efficiency for our colleagues with the automation of many back-office activities, building on the successful launch of our digital production system. As we become a multi-channel business, we continue to look to maintain simplicity for our shop team operations.

We have also begun the replacement programme for our legacy tills to enable the roll out of our new till software in 2023. This will enable a simpler and easier way for our shop teams to transact, but also enable a more efficient customer journey at the till and a consistent experience digitally. In parallel, we have continued to refine our in-shop production systems including customisation and menu management.

Improved recruitment solution

In November, we launched a new Greggs Career website and recruitment system that will help us successfully tackle the issues present in the wider jobs market. All parts of the recruitment process are now digitised with tablets in all shops, enabling our teams to onboard successful candidates quickly. We have subsequently rolled out the solution to all supply sites and Greggs House recruitment, enabling a consistent approach business-wide.

PLANS FOR 2023

2023 will be another big year for our supply chain as we invest in further increasing capacity and productivity by introducing an additional production line at our Balliol Park site, and enhanced logistics to support product distribution in the South through investment in our Birmingham and Amesbury Radial distribution centres. Securing additional national distribution capacity in the Midlands for ambient, chilled and frozen products will also be a key strategic investment focus.

Digital will continue to be a key focus for our teams in 2023 as we continue on our journey to transform our existing till platform and software, and introduce a new workforce management solution. We will continue to streamline and digitise our operational activities in shops to drive further efficiencies. All colleagues will benefit from an improved colleague engagement solution that will modernise the way we communicate and share information.



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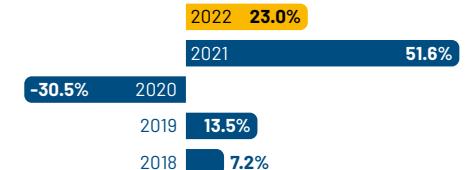
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KEY PERFORMANCE INDICATORS

We use eight key financial performance indicators to monitor the performance of the Group against our strategy. The definition of these KPIs and our performance over the last five years is detailed below.

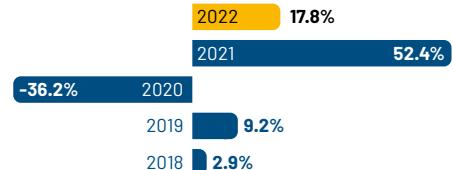
Total sales growth

23.0%



Like-for-like sales growth

17.8%



What this means

The percentage year-on-year change in total sales for the Group.

Why this is important

This is a measure of the absolute growth of the Group.

What this means

Compares year-on-year cash sales in our company-managed shops, excluding any shops which opened, relocated or closed in the current or prior year. Like-for-like sales growth includes selling price inflation and excludes VAT. The impact of shop refurbishment is included in like-for-like sales growth. The calculation of these figures can be found on page 157.

Why this is important

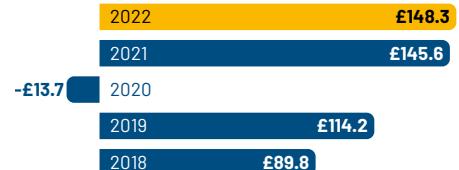
This measure provides valuable additional information on the underlying sales performance of the business and is a key measure used internally.

Results for 2020 were significantly impacted by the closure of the Greggs shop estate for most of the second quarter as a result of the Covid-19 pandemic.

All of the non-GAAP measures (other than like-for-like sales growth) detailed can be calculated from the GAAP measures included in the annual accounts. Commentary on these KPIs is contained within the financial review:

Profit before tax (PBT) (£m)

£148.3m



Diluted earnings per share (pence)

117.5p



What this means

Reflects the performance of the Group before taxation impacts.

What this means

Calculated by dividing profit attributable to shareholders by the average number of dilutive outstanding shares.

Why this is important

This is a measure of the absolute performance of the Group.

Why this is important

This measure reflects the underlying earnings for each share in the Company.



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KEY PERFORMANCE INDICATORS CONTINUED

Net cash inflow from operating activities after lease payments (£m)

£198.8m

2022	£198.8
2021	£236.5
2020	£1.5
2019	£169.5
2018	£136.2

What this means

Operating profit adjusted for the impact of non-cash items, working capital movements and repayment of the principal on lease liabilities. The calculation of these figures can be found on page 157.

Why this is important

This reflects the cash-generative nature of our business, used to fund our strategic investment programme and to support the distribution of dividends.

Return on capital employed (ROCE)

21.0%

2022	21.0%
2021	23.0%
2020	-2.4%
2019	20.0%
2018	27.4%

What this means

Calculated by dividing profit before tax by the average total assets less current liabilities for the year. The calculation of these figures can be found on page 157. The figure for 2018 is calculated on a pre-IFRS 16 basis.

Why this is important

This is a measure of the return generated on capital invested by the Group and provides a guide to how efficiently we are generating profit with the assets used in the business.

Capital expenditure (£m)

£110.8m

2022	£110.8
2021	£57.4
2020	£58.7
2019	£86.0
2018	£73.0

What this means

The total amount incurred in the year on investment in fixed assets.

Liquidity (£m)

£261.6m

2022	£261.6
2021	£268.6
2020	£106.8
2019	£91.3
2018	£88.2

What this means

This is calculated as cash and cash equivalents plus undrawn committed facilities, taking into account required minimum liquidity covenants.

Why this is important

This measure provides useful information on the Group's net financial position and available facilities.

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SUSTAINABILITY REPORT

THE GREGGS PLEDGE

In February 2021, we launched The Greggs Pledge which declared ten things that we are doing to help make the world a better place by the end of 2025, and beyond.



STRONGER, HEALTHIER COMMUNITIES

We pledge to provide free breakfasts to schoolchildren, give surplus food to those most in need and play our part in improving the nation's diet by helping to tackle obesity.

1. **Growing Greggs Breakfast Clubs:** By the end of 2025, we will support 1,000 school Breakfast Clubs providing some 70,000 meals each school day.
2. **Putting an end to food waste:** By the end of 2025, we will create 25% less food waste than in 2018 and will continue to work towards 100% of surplus food going to those most in need.
3. **Supporting our communities:** By the end of 2025, we will have 50 Greggs Outlet shops providing affordable food in areas of social deprivation, with a share of profits given to local community organisations.
4. **Helping our customers make healthier choices:** By the end of 2025, 30% of the items on our shelves will be healthier choices, and we will attract customers through education and promotions.

We have always been committed to doing the right thing, but we wanted to be more specific about how we channel our efforts and resources into doing good. We reflected on what we could do to have the most positive impact on the world around us, and chose to dedicate our efforts to three areas:



SAFER PLANET

We pledge to become a carbon-neutral, zero waste business.

5. **Going carbon neutral:** By the end of 2025, we will be on our way to achieving carbon neutrality by using 100% renewable energy across all of our operations.
6. **Building the shops of the future:** By the end of 2025, 25% of our shops will feature elements from our Eco-Shop 'shop of the future' design.
7. **Using less packaging:** By the end of 2025, we will use 25% less packaging, by weight (as a % of sales), than in 2019 and any remaining packaging will be made from material that is more easily recycled.

communities, the planet and our approach to business. We have set ourselves ten stretching targets to be achieved by the end of 2025. Each of our pledges aligns with at least one of the UN Sustainable Development Goals (SDGs).



BETTER BUSINESS

We pledge to increase the diversity of our workforce, and to use our purchasing power responsibly, with the aim of making things better in our supply chain.

8. **Embracing diversity:** By the end of 2025, our workforce will reflect the communities we serve.
9. **Sourcing sustainably:** By the end of 2025, we will have a robust, responsible sourcing strategy in place and will report annually on progress towards our targets.
10. **Protecting animal welfare:** By the end of 2025, we will secure and maintain Tier 1 in the BBFAW Animal Welfare standard.



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SUSTAINABILITY REPORT CONTINUED

OUR PROGRESS SO FAR

IN 2022...



789 Greggs Breakfast Clubs fed 49,000 children every school day.



We reduced the amount of food waste we created in our manufacturing operations by a further 10% and increased food redistribution by a further 10%.



We opened our 30th Outlet shop.*



32% of our range in 2022 were 'Healthier Choice' products. 34% of all new products we created were 'Healthier Choice' products.



Following on from our Scope 3 analysis, we completed our Supplier Engagement Plan. We have set near-term science-based emissions reduction targets which have been approved by the Science Based Targets initiative.



We opened our first Eco-Shop and more than 250 (10.7%) of our shops have Eco-Shop elements.



We have updated the design of all own brand packaging to feature an On Pack Recycling Label to make recycling communications easier to understand.** We created a road-map to move all of our own brand packaging into 'recyclable criteria'.



We achieved the National Equality Standard.



We published our Deforestation Policy, mapped supplier compliance and plan to be deforestation-free by 2025.



We ensured all chicken stocking densities are no more than 38kg/m².

* We opened our 30th Outlet shop in December 2022. Unfortunately, due to a Compulsory Purchase Order, we had to close an existing shop later that month leaving us with 29 at the end of the year

** Packaging featuring an On Pack Recycling Label was rolled out to shops from early 2023, once we worked through existing back stock to avoid creating any packaging waste

How did we do?

- Achieved (Green dot)
- Partially achieved (Orange dot)
- Still to be achieved (Red dot)

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SUSTAINABILITY REPORT CONTINUED

PLANS FOR 2023

BY THE END OF 2023...



We will have 850 Breakfast Clubs, feeding 52,000 children every school day.



We will reduce the amount of food waste we create in our manufacturing operations by a further 10% and increase food redistribution by a further 10%.



We will have 38 Gregg's Outlet shops.



We will maintain our ranging principles to ensure 30% of our range is 'Healthier Choices'.



At least 98% of our electricity usage will come from renewable sources and 30% of the gas we use across our operations will be from renewable sources.



400 shops (17% of our estate) will feature Eco-Shop elements.



All of our own brand packaging will be more easily recycled.



We will report our Ethnicity Pay Gap* and provide enhanced support for colleagues from an ethnic minority background to progress their career.



We will complete the mapping of soy in animal feed to determine sustainability status.



We will further improve our chicken welfare standards, with 50% at less than or equal to 30kg/m² and the remainder at less than or equal to 38kg/m². All pigs will be free from sow stalls.**

* In line with our business reporting schedule and to be included in our 2023 annual report, published April 2024

** With the exception of pepperoni (sow stall free option not currently available)

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TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Introduction

The Task Force on Climate-related Financial Disclosures (TCFD) and other climate-related disclosures made in this TCFD report form part of the Company's annual report and accounts for the 52 weeks ended 31 December 2022 and are consistent with the TCFD recommendations and recommended disclosures. The following pages show our activity to date and our plans and expectations for the future, as required under Listing Rule 9.8.6(8R).

There are two TCFD recommendations where we are working to become fully compliant. These are:

- The recommendation under the Strategy pillar to describe the resilience of our strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario; and
- The recommendation under the Metrics and Targets pillar to disclose Scope 3 greenhouse gas emissions (GHG) and the related risks.

Our activity in these areas and progress towards full compliance is explained in further detail in the relevant sections of this report.

Working with an external specialist climate consultancy, we have undertaken an extensive, Company-wide process aimed at understanding the key risks and impacts of climate change on our business. The project involved interviews with senior management across the business, to determine how different business areas are likely to be impacted by climate change. We also undertook a physical risk assessment, the details of which can be found below, to understand how climate impacts, such as coastal flooding, could impact our operations.

As noted later in this report, work continues in 2023 when we will be carrying out scenario analysis which will explore in further detail the climate-related risks and opportunities and the associated timeframes. This report has been drafted to take account of the findings from the project so far; we expect our TCFD disclosures to evolve and to be able to report further progress and more detail in our 2023 TCFD report as we report on the conclusions reached in our scenario analysis.

Greggs understands the importance of climate change and that we must reduce our impact and mitigate against climate risk. We believe that improved governance and reporting across all industries and sectors will continue to drive the reduction of carbon emissions across society and assist in the transition to a low-carbon future.

During 2022, we have set near-term science-based emissions reduction targets based on a 1.5°C pathway which have been approved by the Science Based Targets initiative (SBTi). These targets are:

- To reduce absolute Scope 1 and 2 GHG emissions 46.2% by 2030 from a 2019 base year; and
- To reduce absolute Scope 3 GHG emissions from purchased goods and services 46.2% within the same timeframe.

We reported in 2021 that we had modelled our Scope 3 emissions and in 2022 we have used this modelling to initiate a supplier engagement programme, initially focusing on the suppliers of our most carbon-intensive ingredients. We expect this programme to drive significant improvements across our Scope 3 portfolio in the coming years as we work with our value chain to limit the impact of climate change on our operations as well as the impact of our operations on the climate.



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SUSTAINABILITY REPORT CONTINUED

Whilst we have made a lot of progress on our TCFD journey in 2022, we will continue to look at more granular assessments in 2023, understanding our supply chain alongside our own operations. We continue to work closely with advisers to better understand the climate risks and opportunities for Greggs and to ensure we build robust governance practices and processes. Greggs has clear ambitions as part of The Greggs Pledge to be a net zero business by 2040 and to actively support the British Retail Consortium's (BRC's) Climate Action Roadmap.

Governance

Board oversight of climate-related risks and opportunities

The Board has overall responsibility for overseeing climate-related risks and opportunities – our approach to climate change is governed at the highest level within our organisation.

The Board has received specific briefings and updates on progress during the year on climate change matters, including the results from our Scope 3 modelling, the development of our science-based targets and our short-term net zero targets and actions. To further support the Board, and our wider senior management teams, we have presented a 'climate reality check' education piece to provide a better understanding of the potential long-term impacts of climate change across a range of temperature rise scenarios.

We will continue to appraise climate risks and opportunities with our leadership team including briefing new Directors to ensure ongoing Board-level climate knowledge and support for our transition approach.

The Board will be receiving the results of our scenario analysis and detailed climate-related risk identification project in the coming months. This will support the development of our long-term climate adaptation and mitigation plans.

Management's role in assessing and managing climate-related risks and opportunities

Our Chief Executive is ultimately responsible for our sustainability strategy, which includes climate-related risks and opportunities. Strategic progress against relevant targets and commitments is reported to the Board on a quarterly basis.

Our Sustainability Committee is responsible for approving options for the delivery of our strategy. The membership of this committee includes all Operating Board members and is supported by the Head of Sustainability, the wider sustainability team and relevant subject matter experts from across the organisation.

Our Net Zero steering group is responsible for identifying and proposing relevant actions to reduce our carbon emissions to the Sustainability Committee. Once proposals are agreed these are formally included in business plans as well as in the personal objectives of relevant senior managers.

In 2022, we have created a TCFD working group to assist in developing our TCFD reporting detail as well as facilitating analysis of climate-related risks and opportunities. This group has worked alongside external experts to assess material physical and transition risks related to our business model. This project is ongoing and results are due to be presented to the Board early this year. These results will be used to inform our transition plan and risk strategy.

Strategy

Climate-related risks and opportunities and their impact

We continue to develop our detailed understanding of material climate-related risks and opportunities, which fall into two categories – physical and transition.

In the risk management section on page 48 we note that we consider climate change to be an emerging risk for Greggs, since we do not believe that it constitutes a principal risk to the business within the time horizon of our current strategic plan.

Providing more meat-free choices for our customers

A growing number of consumers, largely influenced by climate pressures, are reducing meat in their diets and we are expanding our product mix accordingly to meet this need. We had a huge hit with our Vegan Sausage Roll in 2019 and our Vegan Steak Bake in 2020.



Building on these success stories, we tested a whole range of vegan alternatives in 2021, all of which were met with enthusiasm by our customers, including the Vegan Sausage, Bean and CheeZe Melt, Vegan Festive Bake, Vegan Bacon Breakfast Roll, Vegan Sausage Breakfast Roll and Vegan Ham and CheeZe Baguette, which was crowned 'Best Vegan Sandwich' at the 2021 PETA Vegan Food Awards. In 2022, we continued to trial and add vegan options to our menu in key categories, including: Sweet Potato Bhaji and Rice salad box and our heat-to-eat Vegan Southern Fried Chicken-Free Baguette.



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SUSTAINABILITY REPORT CONTINUED

In this context we consider that a short-term horizon covers the period to 2025, a medium-term horizon is the period from 2026 to 2030 and a long-term one from 2031 onwards.

Supplier engagement – working together to achieve Net Zero

Our Scope 3 modelling in 2021 revealed that more than 90% of our overall carbon footprint occurs in our value chain, where we have influence but no direct control. To drive reductions to this, we need to make the most of that influence.

In 2022, we invited a group of our top suppliers to a Net Zero workshop at our Newcastle headquarters. These suppliers were either our largest by volume or represented the most carbon-intensive sectors – particularly meat and dairy. The products that we buy from these suppliers account for more than half of our total carbon footprint. All the suppliers at the workshop have agreed to collaborate on reducing carbon emissions, with over three-quarters planning to set science-based targets, and 28% committing to be Net Zero.

We are now upgrading our procurement system to improve transparency in respect of the carbon impact of the goods we buy, which will allow carbon to be used as one of the criteria to select our ingredients, alongside quality and price.

In 2022 our climate advisers conducted 24 extensive interviews with senior management colleagues to highlight overarching climate-related risks and help identify which of these would be considered material to Greggs. These identified risks will be tested via various scenarios in early 2023 so that we can identify the relevant adaptation/mitigation strategies required for inclusion in our transition plan. Further to our scenario analysis, in 2023, and annually thereafter, we will undertake a remodelling of our Scope 3 emissions to ensure that our reduction strategy continues to be appropriately focused. The output from this exercise will be included in our 2023 TCFD report.

Ahead of the detailed output from our scenario analysis project, we have identified the following transition risks and opportunities that could potentially have a material financial impact upon the Group:

- Government Policy Development – for example, carbon tax, meat tax or ban on sale of new petrol and diesel vehicles by 2030 (short to medium-term risk);
- Increasing pressures of decarbonisation on the supply chain may impact product quality (medium to long-term risk); and
- Impact of growth plans on emissions reduction strategies (medium to long-term risk).

Government Policy Development

The ongoing development and growth of our vegan product range continues to mitigate risks relating to the potential introduction of carbon/meat taxes and any consequent cost increases throughout our supply chain. This provides increasing opportunities to maintain our competitive position as consumer preferences change. In 2022, we have reviewed the potential for carbon labelling as a method of changing consumer behaviours and we are looking to trial this in 2023.

In anticipation of the ban on petrol and diesel vehicles from 2030, our procurement, fleet and logistics teams continue to monitor the availability of technology which would provide commercially suitable alternatives for our logistics fleet. We are in the process of migrating our company car fleet to hybrid by ensuring that all new cars are hybrid and we are now beginning the next phase which will move the fleet to fully electric. We have also successfully trialled fully electric vehicles for our fleet of small vans and will continue to develop this fleet in 2023. In addition, we have reviewed and researched alternative fuels for our existing logistics fleet and, in 2023, plan to further assess the potential of hydrogen as a future alternative fuel source.

Increasing pressures of decarbonisation on the supply chain may impact product quality

Through our supplier engagement process we have identified suppliers of high carbon impact ingredients and we are working in partnership with these suppliers to drive carbon reduction through the value chain. Further to this, our supplier management approach allows us to have an ongoing dialogue on reduction plans which allows early identification of risks and opportunities.

Double-deck trailers

In 2021, we trialled and purchased our first double-deck trailers and were so impressed with the results that we bought nine more in 2022. We use trailers on our articulated vehicles to transport product across the country and the double-deck version allows us to carry 56% more goods per load, meaning we need to make fewer journeys. This reduces our use of fuel and, consequently, has a positive impact on our Scope 1 footprint. By the end of Q1 2023, we will have moved our entire primary fleet to double-deck trailers.



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Eco-Shop

In July 2022, we opened our Eco-Shop, a brand new and bespoke format where Greggs will test innovative solutions and initiatives aimed at delivering real progress in reducing the environmental impact of the Company's operations. Successful new ideas and technologies will then be rolled out across the broader shop estate.

The launch forms part of The Greggs Pledge, the Company's sustainability plan, which sets out ten commitments to help make the world a better place by 2025. Our sixth pledge is 'Building the shops of the future', and we met our 2022 commitment to open the first Eco-Shop and have 250 of Greggs' shops featuring elements from this 'shop of the future' format by the end of the year. The Eco-Shop initiatives being trialled this year include recyclable flooring, cistern-less and air-assisted toilets, eco-ovens, heat pump air curtains and solar control glass. All initiatives are focused on waste management, water reduction or overall energy reduction.

Longer term, we have set a target for a quarter of its shop estate to feature Eco-Shop elements and, with the proposed initiatives, will continue to reduce both energy use and the carbon footprint across its shops every year, driving us further towards our Net Zero carbon objective.

Our recent physical risk assessment has given us a high-level indication of the risks across our global supply base and in 2023 we will review this at a more granular level so that we can ensure access to alternative supply where risks are apparent.

Impact of growth plans on emissions reduction

We have committed to an absolute reduction pathway and have developed a Scope 1 and 2 reduction strategy that aims to tackle emissions at a rate designed to offset growth as well as reducing intensity. As most of our emissions are within Scope 3 it will be important that we collaborate with our suppliers to take the same approach. The ongoing development of our vegan product range and our ability to adapt quickly to consumer preferences is also expected to help mitigate the impact of our growth plans on our carbon reduction pathway.

As noted above, as these risks are considered to be emerging at this point in time, the financial impact of these has not been considered as part of our current strategic plan and forecasts. As part of our continual risk assessment, we will monitor these risks and disclose the financial impact if they become principal risks in the future (if material).

Physical risk assessment

We are undertaking a two-phase physical risk assessment. An initial assessment has been undertaken of our key UK locations in respect of specific physical climate hazards, such as sea-level rise, coastal flooding and extreme heat, over the medium to long-term time horizon. Moving forward, this approach will help us to minimise risks from the outset and implement adaptation and resilience measures as appropriate. To further our understanding, we will embark on a more granular assessment of relevant locations in 2023 including key supplier locations and will report further details in our 2023 TCFD report.

Scenarios analysis: in progress

We have begun our scenario analysis project with physical risk assessments completed in 2022. Further activity on transition risks will be completed in early 2023 and these will be used to inform our long-term transition plan.

In early 2023, we will carry out the climate scenario planning exercise using several plausible scenarios that are consistent with a 2°C or lower pathway. This exercise will help us better understand the impacts on our business, strategy and financial planning and the associated timeframes. We will report further details on the outcome of this scenario planning and resulting actions in our 2023 TCFD report.

Resilience

Although our formal scenario analysis project is ongoing, these issues are being raised and discussed at the highest levels of the organisation. For example, when examining the results of our physical climate risk assessment, the outcomes have pointed to climate risks in certain parts of the world where some of our suppliers are based, such as Indonesia, Thailand and Brazil. As a consequence of this, we will continue to engage with suppliers in these areas to understand their adaptation/mitigation plans.

We have undertaken a climate materiality assessment exercise which has provided a foundation for building transition scenarios. We will engage with our suppliers to collect physical climate risk data for further assessment in 2023.

We will also analyse potential financial impacts related to climate scenarios to inform strategic resilience planning across our value chain.

The Transition Plan Taskforce is expected to publish guidance in 2023 on how to develop credible and robust climate transition plans and we will ensure our transition plan is drafted in accordance with the requirements of the Taskforce. We will also continue to monitor the development of the International Sustainability Standards Board proposed disclosure standards.



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SUSTAINABILITY REPORT CONTINUED

Risk management

Identifying and assessing climate-related risks

We have an established risk process for the whole business, as described in the risk management section on pages 46 to 53. The process for identifying, assessing and managing climate-related risks is part of this process. In 2022, we engaged external experts to support identification and assessment of climate-related risks. As noted above, this process included direct engagement with our senior leadership team and in 2023 we will formally integrate detailed climate risks and opportunities into our Enterprise Risk Management (ERM) process.

Managing climate-related risks

Climate-related risk evaluation forms part of our Risk Committee activity and is now included as a standing agenda item. The current TCFD project will help in prioritising the management of climate-related risks and, following the scenario analysis process described above, identified impacts will be integrated into our risk framework.

Integration of climate-related risks into overall risk management

We treat our climate-related risks in the same way as all other risks and assess them in line with our ERM framework. We have continued to assess climate change as an emerging risk (to be included as a principal risk where appropriate). The principal climate-related risks and opportunities will be captured in our risk register and integrated into the ERM process for continuous management and risk reduction.

Metrics and targets

Metrics used to assess climate-related risks and opportunities

We have reported on our Scope 1 and 2 greenhouse gas emissions in our annual report each year since 2013 and have set out our emissions reduction targets. We now report this data internally on a monthly basis and use it to monitor performance against our reduction targets. In 2022 we have

worked with The Carbon Trust to set near-term science-based targets aligned with a 1.5°C scenario which have been approved by SBTi. Our Environmental Management System is certified to ISO 14001:2015 and we disclose our emissions through the Carbon Disclosure Project (CDP).

As noted above, and following our scenario analysis project, detailed climate risks and opportunities will be quantified for integration into our risk and governance structure in 2023.

GHG emissions and the related risks

We have modelled our Scope 3 emissions, working with The Carbon Trust, and this information has been used to set a near-term science-based emissions reduction target based on a 1.5°C pathway which has been approved by the SBTi.

We plan to remodel our Scope 3 emissions in 2023 with the intention of reporting these on an annual basis from 2024.

We report on our Scope 1 and 2 GHG each year. The detailed disclosures and methodology can be found in the following section, titled 'Our carbon footprint'.

Targets used to manage climate-related risks and opportunities, and performance against targets

As part of our strategy to manage climate change risks, we have committed to becoming a net zero carbon business by 2040 in line with the British Retail Consortium's Climate Roadmap:

Scope 2: Net zero by 2030

Scope 1: Net zero by 2035

Scope 3: Net zero by 2040

As noted above we have also set science-based targets to give us a clearly-defined pathway to emissions reduction that is aligned to climate science. The commitment to the BRC's roadmap is a more ambitious target – we always strive to achieve the more stretching target.

Our primary metric at present is the overall level of emissions falling under each of the three Scopes and this forms the basis of the science-based targets set during the year. During 2023 we plan to develop more detailed operational and commercial targets which will support our ongoing emissions reduction and overall transition plan. We will develop quantitative metrics and targets for material climate risks and opportunities and incorporate these into our business plan after the conclusion of the scenario planning exercise in the first part of this year.

In 2022, we have incorporated regular reporting of our Scope 1 and 2 footprint into our monthly Board reporting pack. This ensures our leadership has ongoing visibility of the delivery of our reduction strategy.

Next steps for Greggs

In the first half of 2023, we will complete the scenario analysis across various time horizons to understand the material impacts at different temperature increases. The full results of the TCFD implementation project, including the outcomes of the scenario analysis will be reported in our 2023 annual report. We will use the findings to develop robust risk mitigations and capitalise on opportunities for the business.



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Our carbon footprint

We disclose our greenhouse gas (GHG) emissions through CDP. We continue to drive efficiencies to further reduce our carbon footprint in a bid to target a net zero impact. In 2022, we decreased our gross location-based intensity (tonnes per £m turnover) impact by 13.91% (compared to 2021 or 29.9% compared to 2019).

As a result, our market-based carbon footprint for the 2022 financial year was 46,922 tonnes of carbon dioxide and equivalent gases (CO₂e), with an intensity of 31.02 tonnes of CO₂e per £m turnover, which accounts for our efforts in generating and purchasing low-carbon energy.

Global GHG emissions data

In line with the Companies Act 2006 (Strategic Report and Directors Report) Regulations 2013, we are reporting our GHG emissions as part of our annual strategic report. Our GHG reporting year is the same as our financial year, from 2 January 2022 to 31 December 2022. We have reported on all of the emission sources which we deem ourselves to be responsible for, as required under the Act. These sources fall within our operational control and financial boundaries and include emissions from manufacturing, retail and distribution sites and the operation of our distribution fleet, all of which are wholly based in the UK. We do not have responsibility for any emission sources that are outside of our operational control. The methodology used to calculate our emissions is based on the GHG Protocol Corporate Accounting and Reporting Standard, Defra Environmental

Reporting Guidelines and ISO 14064-3: 2019 – Specification with guidance for the verification and validation of GHG statements.

Dual emissions reporting

Overall emissions have been presented to reflect both location and market-based methodologies, affecting both Scope 1 and Scope 2 emissions.

Streamlined Energy and Carbon Reporting

In line with Streamlined Energy and Carbon Reporting (SECR) requirements, we have also reported on the underlying energy used to calculate Group GHG emissions.

Where original data was provided in litres of diesel, gas oil or petrol it has been converted to kWh. The reporting boundary has been determined by operational control, whereby all emissions within operational control have been included within scope, i.e. Scope 1 and Scope 2.

Energy efficiency initiatives

Greggs is committed to reducing the energy consumption and the carbon impact from its operations. We have set our target of net zero operational carbon emissions across the organisation by 2040 and have put in place a plan aligned to the BRC's Climate Roadmap. We have moved to renewable electricity sources across 93% of our estate and will look to investigate other renewable energy sources for our remaining Scope 1 emissions.



In 2021 we measured our value chain emissions with The Carbon Trust and found Scope 3 emissions account for 92% of all market-based emissions with emissions from Scope 3 purchased goods and services (products) having the biggest impact. We will look to develop and focus our attention on where we have significant impact. We have set near-term company-wide emission reduction targets in line with climate science which have been approved by the SBTi.

Following our 2021 value chain emission modelling activity, in 2022 we hosted Net Zero workshops with the suppliers of our most carbon intensive ingredients with the intention of aligning our collective efforts towards a low-carbon future. As a result of these workshops we are now planning further collaboration in the coming years to share collective learning and experiences. In 2023, we will also repeat this process with further suppliers and service providers.

13.91%

2022 reduction in gross location-based intensity
impact (tonnes per £m turnover)



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SUSTAINABILITY REPORT CONTINUED

We continue to focus our internal teams on energy efficiency and carbon reduction programmes. In 2022, we opened our first Eco-Shop which provides a test bed for future in-store sustainability initiatives. Successful new ideas and technologies will then be rolled out across our new shops and existing estate. Furthermore, we have introduced double-deck trailers into our logistics fleet (which reduce the number of journeys our fleet are required

to complete), we are replacing high Global Warming Potential (GWP) refrigerants in refrigeration and air conditioning systems with lower GWP refrigerants, and all new refrigeration equipment uses low GWP refrigeration gas as a specification requirement. We have successfully trialled electric refrigeration units on our delivery fleet, replacing diesel powered refrigeration and we will roll this across 39% of the fleet in 2023.


"We continue to hold The Carbon Trust Standard in recognition of our work on carbon efficiencies and our environmental management system is certificated to ISO 14001:2015. In addition, we disclose our GHG emissions through the Carbon Disclosure Project."

	Current reporting year 2022 (tonnes of CO ₂ e)	Comparison year 2021 (tonnes of CO ₂ e)	Base year 2019* (tonnes of CO ₂ e)
Location and market-based emissions			
Scope 1**	Combustion of fuel and operation of facilities	32,813	30,115
Scope 1	Refrigerants	6,999	5,850
Scope 2(Location-based)**	Electricity purchased for own use (including PV Generated and green tariff)	47,716	46,318
Scope 2(Market-based)	Residual electricity	7,109	4,265
Gross emissions(Location-based)	Total Scope 1+2 CO ₂ e emissions	87,529	82,283
Gross emissions(Market-based)	Total Scope 1+2 CO ₂ e emissions to account for use of renewable energy	46,922	40,230
Intensity measure(Location-based)	Tonnes of CO ₂ per £m turnover	57.86	67.21
	Percentage change 2022 compared with 2021	-13.91%	-29.9%
Intensity measure(Market-based)	Tonnes of CO ₂ e per £m turnover	31.02	32.90
	Intensity percentage change accounting for renewable energy 2022 compared with 2021	-5.71%	-12.56%
Location-based method is provided for disclosure only			
UK Underlying energy use (kWh)			
Total Scope 1 Energy use	Combustion of fuel and operation of facilities (natural gas, fleet fuel oils, company cars and LPG)	140,090,349	130,910,991
Total Scope 2 Energy use	Electricity	246,749,496	218,141,798
Total Energy use (kWh)		386,839,845	349,052,789
			365,871,875

* We are resetting our baseline year to 2019 to allow alignment with the baseline year for SBTs

** UK only



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SUSTAINABILITY REPORT CONTINUED

GENDER OF WORKFORCE

We are proud of our reputation for bringing the best talent through the business regardless of gender and that 67% of our total workforce is female. We have great female representation on our Board, and women make up half of the management population of Greggs.

	Female	Male	Total
Board	5	3	8
Senior managers	57	69	126
Other managers	288	281	569
All employees	19,063	9,386	28,493

Notes:

* Headcount figures at 31 December 2022. 67% of total workforce is female (19,063 of 28,493).

** As at 31 December 2022.

For info: There are 44 employees whose gender is recorded as 'Unknown', 'Undeclared' or 'Other', hence the total figure of 28,493 is not the sum of the Female and Male totals.

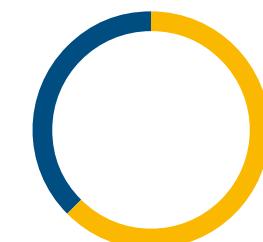
28,493

Total number of employees*

67%

Percentage of female employees

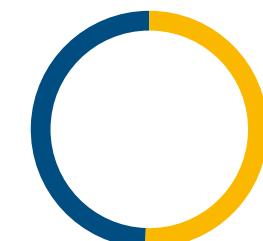
WORKFORCE GENDER BREAKDOWN**



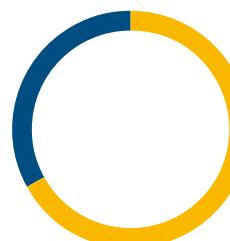
Board



Senior managers



Other managers



All employees

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FINANCIAL REVIEW

STRONG FINANCIAL PERFORMANCE AND A ROBUST FINANCIAL POSITION

Greggs delivered a strong financial performance in 2022 in the face of challenging economic conditions. Sales momentum was good and we opened a record net number of new shops as we pursued our ambitious growth plan. Our robust balance sheet will support our growth strategy, providing a strong covenant to our partners as well as funding for our investment programme and for shareholder returns.

Richard Hutton
Chief Financial Officer



	2022 £m	2021 £m
Revenue	1,512.8	1,229.7
Operating profit	154.4	153.2
Net finance expense (inc. leases)	(6.1)	(7.6)
Profit before tax	148.3	145.6
Income tax	(28.0)	(28.1)
Profit after tax	120.3	117.5

Sales

Total Group sales for the 52 weeks ended 31 December 2022 grew by 23.0% to £1,513 million (2021: £1,230 million). Year-on-year growth was particularly strong in the first quarter, reflecting comparison with pandemic lockdown restrictions in the comparable period of 2021. Through the remainder of the year we saw growth from new shop openings and like-for-like transaction numbers as we made progress with our sales growth initiatives and passed on necessary price increases in response to cost inflation. Total Group revenue reflects sales from company-managed shops, which include delivery sales, and sales through business-to-business channels with our franchise and wholesale partners.

Reporting 'like-for-like' sales (sales in company-managed shops with more than one calendar year's trading history) is a key alternative performance measure for Greggs, as it shows underlying estate sales performance excluding the impact of new shop openings and closures. The like-for-like sales results across 2022 reflected the impact of the pandemic on the first and fourth quarters of 2021, and also the closure of our shops out of respect for the funeral of Her Majesty the Queen in September. Overall there was strong growth, with like-for-like sales 17.8% higher year-on-year and 14.6% higher than the pre-pandemic level of 2019.

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	01	02	03	04	2022
Company-managed like-for-like sales vs. 2021	37.0%	11.3%	9.7%	18.2%	17.8%

Profit for the year

Profit before tax in 2022 was £148.3 million (2021: £145.6 million). This was a strong performance in challenging conditions, with cost inflation increasing at a significantly higher rate than had been expected and reduced support from Government pandemic measures that had been present in 2021.

We started 2022 expecting higher than normal food cost inflation as supply chains reacted to post-pandemic growth, but the war in Ukraine triggered a dramatic increase in food and energy commodity costs. Our forward cover positions for electricity and gas procurement meant that we were largely protected from energy volatility in the year, but food costs rose significantly as our forward positions rolled off over the second and third quarter. Reluctantly we brought forward price increases whilst maintaining our relative value position in the market. In doing so across the year as a whole we under-recovered overall business cost inflation by around one percentage point.

Overall wage and salary cost inflation was 4.9% in 2022 and is expected to be approximately 8.0% in 2023. Food and packaging inflation increased significantly in the second half of 2022 as forward cover for key inputs expired. This will continue to annualise during the first half of 2023. Shop occupancy costs continue to improve; in 2022 the ratio of IFRS 16 'right of use' charges on leased property assets to company-managed shop sales was 4.3%, down from 4.9% in 2021. Greggs' strong covenant is attractive to landlords and this is an important factor in lease renewal, as well as providing the good pipeline of shop opening opportunities that underpins our planned estate growth. Across the

business as a whole, cost inflation totalled 9% in 2022, in line with previous guidance. The reintroduction of business rates in the second half of 2021 resulted in a £15 million year-on-year cost increase in 2022.

Looking forward we expect overall input cost inflation in 2023 to be in the range of 9-10%. Uncertainty over commodity prices remains but we have been able to secure forward cover for all of our electricity requirements through to the end of the third quarter of the year and expect to extend this further when opportunities present themselves. We also have forward purchase agreements representing between four and five months of our food and packaging needs.

Financing charges

The net financing expense of £6.1 million in the year (2021: £7.6 million) comprised £6.8 million in respect of the IFRS 16 interest charge on lease liabilities, £0.7 million of facility charges under the Company's (undrawn) financing facilities, offset by £1.4 million relating to income on cash deposits and foreign exchange gains.

Taxation

The Company has a simple corporate structure, carries out its business entirely in the UK and all taxes are paid here. We aim to act with integrity and transparency in respect of our taxation obligations.

The Group's overall effective tax rate on profit in 2022 was 18.9% (2021: 19.3%) which reflects the benefit of 'super-deductions' relating to capital expenditure in 2022, offset by the corresponding deferred tax movements being taxed at 25% rather than 19%, ahead of the increase in the corporation tax rate which takes effect on 1 April 2023.

We expect the effective tax rate for 2023 to be around 24.0% and for 2024 to be around 26.0%. Going forward the effective rate is expected to remain around 1.0% above the headline corporation tax rate; this is principally because of disallowed expenditure such as depreciation on properties that do not qualify for tax relief and acquisition costs relating to new shops.

Earnings per share and dividend

Diluted earnings per share in 2022 were 117.5 pence (2021: 114.3 pence per share).

The Board recommends a final ordinary dividend of 44.0 pence per share (2021: 42.0 pence per share). Together with the interim dividend of 15.0 pence (2021: 15.0 pence) paid in October 2022, this makes a total ordinary dividend for the year of 59.0 pence (2021: 57.0 pence plus 40.0 pence special dividend). This is covered two times by diluted earnings per share and is in line with our progressive ordinary dividend policy, which aims to increase the dividend in line with growth in earnings per share.

Subject to the approval of shareholders at the Annual General Meeting, the final ordinary dividend will be paid on 26 May 2023 to shareholders on the register at 28 April 2023.

Balance sheet

Capital expenditure

We invested a total of £110.8 million (2021: £57.4 million) in capital expenditure during 2022. Retail estate expenditure increased in 2022 as we accelerated the rate of company-managed shop openings and shop refurbishment. In our supply chain we completed the investment in additional pizza manufacturing capacity at our Enfield site and commenced work on the construction of a fourth production line for our iconic savoury pastries at Balliol Park in Newcastle.



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Depreciation and amortisation on property, plant and equipment and intangibles in the year was £62.7 million (2021: £58.7 million). A further £52.8 million (2021: £48.7 million) of depreciation was charged in respect of right-of-use assets as a result of capitalised leases.

The level of capital expenditure will increase in coming years as we invest to increase capacity in our supply chain to support our ambitious growth plans. In 2023 we will commence work to expand capacity for radial distribution to shops at our Birmingham and Amesbury distribution centres. We also expect to progress plans for new manufacturing and logistics facilities in the Midlands, the start of a multi-year development that will provide medium-term capacity to allow our shop estate to grow to significantly more than 3,000 stores in time, as well as supporting our plans to grow like-for-like sales in line with our ambition.

Our shop opening and relocation plans mean we will invest in circa 160 new company-managed shops in 2023 and refurbish around 150 existing stores as we modernise older sites and introduce better facilities to support our growth plans.

Overall we expect capital expenditure in 2023 to be around £200 million, and anticipate that it will remain around that annual level through 2024 and 2025 as we invest to support our growth plans.

Management of return on capital

We manage return on capital against predetermined targets and monitor performance through our Investment Board, a management committee where all capital expenditure is subject to rigorous appraisal before and after it is made. For most new shop investments we target an average cash return on invested capital of 25%, with a hurdle rate of 22.5%, over an average investment cycle of eight years. Other investments are appraised using discounted cash flow analysis.

Managing return on capital well is an important discipline in Greggs. As such, return on capital employed (ROCE) is embedded as a performance metric in our long-term incentive plans. In 2022 ROCE was 21.0% (2021: 23.0% including the benefit of relief from Business Rates), comparing favourably with the pre-pandemic level (2019: 20.0%). As we grow the business in the years ahead our ambition is to maintain the business' track record of delivering strong returns on capital.

Working capital

We ended the year with Group net current assets of £38.9 million (2021: £59.2 million) as we continue to carry a robust cash and cash equivalents position of £191.6 million (2021: £198.6 million) to support investment in our capital expenditure programme. Excluding cash and cash equivalents, net current liabilities increased from £139.4 million to £152.7 million over the year. This reflects the impact of strong growth on trade and other payables.

Pension scheme

The Company's closed defined benefit pension scheme has moved to a net asset position of £6.3 million at the end of 2022 (2021: £2.4 million net liability). The improvement in the balance sheet position reflects already-committed scheme contributions that were advanced to support the scheme at the time of significant collateral calls on its Liability Driven Investments ('LDI') in October 2022. The reduction in liabilities that resulted from a significantly increased discount rate was largely offset by performance of the scheme assets and LDI positions.

The scheme underwent a full actuarial revaluation in 2020, the results of which showed a deficit in funding. The Company committed to making additional contributions of £2.5 million each year from 2021 to 2026 to ensure that any funding requirements are met over the medium term as the scheme works towards full de-risking. As noted above, as a

result of the volatile market conditions in the autumn of 2022 the Company advanced an additional payment of £5.5 million of these committed contributions (£8.0 million for the year), leaving £4.5 million of the original commitment to pay in future years.

Cash flow and capital structure

The net cash inflow from operating activities after lease payments in the year was £198.8 million (2021: £236.5 million including a significant working capital inflow as sales recovered from the pandemic). At the end of the year the Group had net cash and cash equivalents of £191.6 million (2021: £198.6 million).

In normal circumstances the Group aims to maintain a year-end net cash position of around £50 million to allow for seasonality in its working capital cycle and to protect the interests of all creditors. The cash position will normalise in future years as we deploy resources to support our ambitious growth plan.

The Company's undrawn revolving credit facility, which runs to December 2025, allows it to draw up to £100 million in committed funds, subject to it retaining a minimum liquidity of £30 million (i.e. maximum net borrowings are £70 million). Taking this into account, total available liquidity at the end of 2022 was £261.6 million (2021: £268.6 million).

Looking forward

Our strong financial position will support our ambitious growth plans in the year ahead. At the same time we will maintain the discipline that has delivered profitable growth and excellent capital returns, to the benefit of all of our stakeholders.

Richard Hutton

Chief Financial Officer

7 March 2023



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RISK MANAGEMENT

OUR APPROACH TO RISK MANAGEMENT

An effective and robust risk management process is fundamental to protecting our business, our customers and colleagues, and shareholder value.

Risk management and internal control

To be able to deliver our strategy and make the right decisions for the business, we need to understand and manage our risks. Taking risks in a managed way can help us to deliver value whilst protecting the business, our people and our reputation. Risks cannot be avoided, but an effective system of risk management ensures that they are mitigated to an acceptable level.

Roles and responsibilities

The Board has overall responsibility for risk management, and determines the nature and extent of risks which we are prepared to take in the pursuit of our strategy.

The Audit Committee, on behalf of the Board, maintains oversight of the risk management approach, including reviewing its overall effectiveness on an annual basis, and receiving regular updates on assurance activity.

The various roles within the risk management process are set out below:

WHO?	ROLE	KEY ACTIVITIES/RESPONSIBILITIES
Top down	Main Board	Direction and oversight
	Audit Committee	Main Board activities as delegated
	Operating Board	Ownership and monitoring
	Risk Committee	Identifying, assessing and monitoring risk
Bottom up	Business Assurance team	Independent overview
	Heads of business functions	Operational risk ownership and implementing actions
	Process owners	Day-to-day business operations



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RISK MANAGEMENT CONTINUED

Risk is managed and overseen through a Risk Committee, which is a committee of our Operating Board. Other senior leaders are also part of the Committee and attend the meetings, which take place at least three times per year.

Our Business Assurance function supports with the documentation and review of risk, and with the Audit Committee's review process.

Risk management process

We have a risk management policy and framework in place, both of which have been approved by the Board. This supports us in taking a consistent approach.

Our risk process works 'top down' and 'bottom up', as shown in the diagram on page 46. Risks are identified, by considering potential events which could prevent the achievement of our objectives.

The Operating Board is responsible for maintaining the overall corporate risk map, which documents the key risks to the achievement of strategic objectives. We conduct a formal review of our key strategic risks twice a year via the Risk Committee, with input from each of the risk owners.

This allows us to discuss the gradings, reflect on any changes and ensure that the level of risk remains consistent with our risk appetite. The Risk Committee also considers new risks escalated to it and assesses whether or not these are significant enough to merit inclusion on the strategic risk register.

The risk process is facilitated by the Business Assurance team, who help identify and assess key risks, as well as providing support in developing an appropriate risk response. The team also provides a route for matters of concern to be quickly escalated to the Operating Board and Risk Committee. In addition, Business Assurance provides an independent view on the controls in place over specific risk areas within the internal audit plan.

Risks are assessed under our strategic pillars (including The Greggs Pledge), and are categorised into four broad groups – strategic, operational, financial and legal/regulatory.

Our strategic risk register captures a description of each risk, and allocates an Operating Board member as risk owner. Each risk owner is responsible for ensuring that appropriate mitigating controls are in place. We then set out key controls for each risk, and make an assessment of their effectiveness. The likelihood and impact of each risk arising is then calculated, taking into account the controls which are in place.

Developments in 2022

Our Enterprise Risk Management (ERM) framework, which we developed with Marsh Advisory in 2021, has been rolled out more widely. The ERM policy and procedure were signed off by the Board to demonstrate commitment at the top of the organisation.

Our Chief Executive has continued to increase our focus on risk management. This has emphasised the importance of risk management and is helping to promote our work to fully embed the concept.

We have engaged with heads of business functions to increase their involvement in the process. They participated in the strategic risk grading review at the year end, which provided a different perspective from the Operating Board and gave some valuable insight. We plan to continue an ongoing dialogue with this group, the output from which we will feed into discussions at Risk Committee meetings.

We reviewed the structure of the Business Assurance team and we have appointed an Audit and Risk Manager, to drive a more joined up assurance approach. The role will help us to optimise the opportunities for internal audit to independently assess the effectiveness of key controls.

Plans for 2023

We will further embed our ERM approach, and support more of our functions to develop their own risk registers in the standard corporate format. This will also involve more regular and structured engagement with our heads of business functions.

We have engaged with our insurance brokers to conduct an overall review of our approach to insurance, a significant mitigating control against a number of our strategic risks. This will involve members of our Main and Operating Boards as well as key heads of business functions.

We will be increasing the resource within the Business Assurance team to ensure that we are able to continue to support the growing business.



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RISK MANAGEMENT CONTINUED

Climate risks

As set out in our TCFD disclosure on pages 35 to 41, our climate risks and opportunities are in the process of being fully defined, though we have undertaken a significant amount of work to understand our exposure. Once the risks have been agreed, they will be incorporated within our main ERM framework, and managed consistently with other risks identified across the business.

We continue to monitor climate change as an emerging risk, since we do not believe it constitutes a principal risk to the business within the time horizon of our current strategic plan. However, we keep under review future climate change legislation and customer preferences.

Emerging risks

We conduct an emerging risk review on a quarterly basis, and report our findings to the Risk Committee and Main Board. Various sources of information are used to ensure this is as complete as possible:

- Horizon scanning by subject matter experts throughout the business, coupled with an escalation route to raise any issues;
- Engaging with our functional heads to discuss any areas of concern within their remit;
- Monitoring customer and consumer trends; and
- Taking input from our advisers and other specialists with whom we work.

Current areas of emerging risks which we are monitoring include changes to legislation, geopolitical tensions and the cost of living crisis.

Risk appetite

Risk appetite is the level of risk which we are prepared to take to meet our strategic objectives. In determining this, we recognise that there is a balance between a prudent approach to risk and sufficient flexibility to take appropriate opportunities when they arise.

Our appetite for taking risks depends on the category of risk in question. For example, we would be prepared to take more risk in the pursuit of our strategy than in areas such as food safety, where compliance with legislation drives a zero tolerance of risk.

Changes to principal risk disclosures

A principal risk is a risk or combination of risks that could seriously affect our performance, future prospects or reputation. Not all of our strategic risks are considered to be principal risks, only those which could have a significant impact on our ongoing viability.

Key changes to principal risks and our risk profile are as follows:

- Our previously disclosed risk of 'supply chain disruption' incorporated both internal interruption events and external supply issues. We have described this as two separate risks, since the risk profile and the mitigations are different for each.
- A previously disclosed risk of 'significant fines for non-compliance' has been removed from the listing, since we no longer believe it to meet the definition of a principal risk. The reputational impact of such an incident is stated elsewhere within the risk register.
- We have included the additional disclosure of the category of each risk as set out in our risk register – strategic, operational, financial and legal/regulatory to aid understanding.

- Although not disclosed as a principal risk in our 2021 annual report, we set out our ongoing response to the Covid-19 pandemic. Any such activity still in progress is now considered part of our normal business operations, and hence no further comment is necessary. However, we are reflecting on our overall response to the pandemic, and report our key lessons learned to the Board.

The following table sets out the principal risks, shows the movement during the year, and describes the impact and key mitigations. The list is not in priority order, and does not include all the risks which are faced by the business. Other risks which are not included here could also have a negative impact on the business, including those which are not presently known to us. The position described in the following table is a summary at the time of publishing this report.



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RISK MANAGEMENT CONTINUED

STRATEGIC PILLARS: 1 Great tasting, freshly prepared food 2 Best customer experience 3 Competitive supply chain 4 First class support teams 5 The Greggs Pledge

PRINCIPAL RISKS AND UNCERTAINTIES

Risk and description	Impact	Key mitigations	Strategic pillars	Movement
BUSINESS INTERRUPTION EVENT	We would potentially be unable to supply our customers for a period of time. This could impact our own customers, those of our franchise partners, and also our wholesale sales through Iceland Foods.	<ul style="list-style-type: none"> - We have contingency plans in place for our sites, which are tested periodically. - Our resilience throughout the pandemic demonstrates that we are well-placed to manage disruption to our operations. - Our diversified product range from multiple production sites provides alternatives for our customers. - We have flexibility within our network, to enable us to continue our operations. - Insurance cover is in place. 	1 2 3 4 5	↔
OPERATIONAL				
SUPPLY CHAIN DISRUPTION	A prolonged outage at one of our key suppliers could impact on our ability to produce some of our range, or otherwise impact on our ability to operate.	<ul style="list-style-type: none"> - We try to avoid single source supply for key ingredients. - In the event of interruptions, we are agile in our response to implementing contingency plans. These are regularly tested. 	1 2 3 4 5	↔
OPERATIONAL				
CYBER & DATA SECURITY INCIDENT	<p>We could suffer a significant loss of data, resulting in litigation and fines.</p> <p>Our operations could be disrupted for a period of time.</p>	<ul style="list-style-type: none"> - Third parties provide expertise and support, including regular penetration testing and a Security Operations Centre monitoring our networks. - Our technical measures are constantly reviewed and updated in line with changing requirements and recognised information security control sets. - Our Operating Board took part in a desktop cyber event simulation, facilitated externally. 	2 3 4	↑
OPERATIONAL				



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STRATEGIC PILLARS: 1 Great tasting, freshly prepared food 2 Best customer experience 3 Competitive supply chain 4 First class support teams 5 The Greggs Pledge

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Risk and description

PROLONGED SYSTEM DOWNTIME/ INTERRUPTION

As we streamline the business and embrace greater flexibility in our working arrangements, we increase our reliance on technology. Any system interruption becomes more disruptive, with an increased risk of it having an impact on business operations.

OPERATIONAL

DETERIORATION OF RELATIONSHIP WITH KEY PARTNER

We continue to work closely with franchise, wholesale and delivery partners in order to broaden our service offer into locations where our customers want us to be. There is a risk that our strategy and goals are not fully aligned.

STRATEGIC

Impact

We may be unable to run our production systems for a period of time. This could ultimately impact on our ability to supply into our shops for our customers.

Data may be unavailable or lost, making it difficult for us to operate.

Key mitigations

- We continue to invest in our IT infrastructure.
- We have established disaster recovery processes which are tested periodically.
- Our ERP system incorporates multiple layers of resilience.
- External partners are engaged to provide specialist support and expertise when required.
- We will be refreshing our crisis and contingency plans in 2023.

2 3 4



1 2 3
4



A lack of alignment could result in targets not being met, due to performance not being optimised. The brand's reputation could be damaged, and the relationship would be put at risk.

- We work with a number of respected partners and are continuing to broaden the range of businesses with whom we operate. This reduces the reliance on any one individual partner.
- Contracts and service level agreements are in place, along with a robust onboarding process for new partners.
- We are strengthening our in-house teams to provide more resource to support our partners.



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PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Risk and description

ABILITY TO ATTRACT/ RETAIN/MOTIVATE PEOPLE

Our people are an essential part of our business and our culture. Particularly in the current environment, we may be unable to attract and retain the right talent within Greggs.

Impact

We may be unable to continue to deliver the product range and service standards that our customers want and expect from us.

The loss of existing resource results in additional recruitment, which in turn creates workload and training requirements.

Ultimately, we may be unable to grow the business in line with our strategy.

Key mitigations

- We recognise that our people are a key asset to the business, and offer competitive packages, along with extensive training and development opportunities.
- Colleagues have a range of ways to communicate their ideas for improvement, including opinion surveys and listening groups.
- We have a robust succession planning process for our leadership teams and are continuing to develop this across the wider organisation.



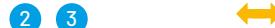
OPERATIONAL

DAMAGE TO REPUTATION

As we grow our social media presence, and engage more with our customers, there is a risk of damage to our brand if we fail to respond quickly and appropriately to an incident.

Customers could lose their trust in the brand, ultimately impacting on our ability to grow our estate and achieve our objectives. Shareholder value could be reduced.

- We have a robust crisis management process in place, which we test regularly. This is supported by appropriate third parties (such as PR agencies) when specialist advice is required.
- We have conducted a detailed review of our Food Safety incident response with our Operating Board.
- All of our shops are required to follow consistent procedures, to ensure that our food complies with standards.
- Our audit team ensure compliance, across both company-managed and franchise shops.



STRATEGIC



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PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Risk and description	Impact	Key mitigations	Strategic pillars	Movement
SIGNIFICANT FOOD SAFETY INCIDENT/ PRODUCT QUALITY ISSUE	<p>There could be harm to our customers or colleagues.</p> <p>Our reputation as a trusted brand could be significantly impacted, which in turn would affect our financial performance. We could also be exposed to significant fines.</p>	<ul style="list-style-type: none"> - All new external suppliers require formal approval. - All ingredients and products have specifications to ensure consistency. - Allergen risk assessments are in place. - Our teams are trained, with specialists able to provide additional knowledge. - We have a Primary Authority relationship in place, which gives independent assurance that our processes and procedures are adequate. - Audits are undertaken by our internal teams and external bodies. - Our complaints process ensures all matters are investigated. When a root cause identified, we take action to address it. 	1 2 3 4 5	➡
OPERATIONAL				
CHANGES IN THE REGULATORY LANDSCAPE	<p>It may be necessary for us to make changes to our product range. Without an ability to respond quickly, we could lose market share.</p> <p>We believe that we may have greater exposure in some areas than our competitors.</p>	<ul style="list-style-type: none"> - Regular horizon scanning activities are undertaken by our teams. - We engage with Trade Associations and government bodies to ensure we are updated with developments. - Participating in industry forums gives us an opportunity to influence decision making. 	1 2 3 4	➡
LEGAL/REGULATORY				



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RISK MANAGEMENT CONTINUED

Viability statement

The Directors have assessed the Group's prospects and viability taking into account its current position, plans and principal risks. In carrying out its assessment the Board has reviewed the three-year operational and financial plans to 2025. This is the period over which the Board reviews management's business planning and sets performance targets, and therefore the Board believes that this remains the most appropriate timeframe over which to make the viability assessment.

The Directors have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

The principal risks to which the Group is exposed ultimately affect the ability of its shops to trade successfully, either due to reduced demand or because of operational interruptions, including those to its internal supply chain. A significant loss of sales is particularly damaging given the Group's vertical integration in that the cost of the internal supply chain cannot be reduced quickly.

Scenarios were modelled in order to stress-test the Group's financial resilience to the impact arising from occurrence of the following principal risks:

1. Pandemic threat – the risk that the Group is forced to close its shops to walk-in customers for three months as a result of lockdown rules, and subsequently experiences subdued levels of walk-in trade as the economy recovers (starting at 50% of previously forecast sales in January 2024, building back to 100% by the end of that year).

Delivery channel sales are assumed to continue through the lockdown months, with a 2.5x increase in volume as customers switch channels, as are 'bake at home' sales through the Group's wholesale relationship with Iceland Foods. This forward scenario assumes that Government support would be available for the support of employment and that relief from business rates would be available during the periods of forced closure.

2. A brand-damaging food scare resulting in a significant one-year sales reduction (c. 25% sales reduction for initial six months) followed by gradual recovery of confidence. In making assumptions the Directors considered real examples of companies in the food sector that had experienced such issues.

3. Temporary loss of production capacity for the Group's iconic savoury products and the consequences for liquidity as capacity is restored.

In each case the Directors reviewed the mitigating actions that would be necessary to protect the Group's liquidity.

These included:

- The temporary suspension of dividend payments in order to preserve cash for operational use;
- Restriction of capital expenditure whilst protecting essential infrastructure maintenance and commitments to strategic investments;
- Access to Government support;
- Drawing on existing committed financing facilities; and
- Calling on the Group's insurance arrangements on the occurrence of an insured risk.

The scenarios tested were capable of being managed within the Group's existing, committed financing facilities. The pandemic scenario presents by far the greatest financial stress to the business, and this simulation does show a breach of the fixed interest cover covenant at one reporting date. Given the Group's relationship with lenders, and the actions of banks through the Covid-19 pandemic, the Directors believe it is reasonable to conclude that a waiver would be secured.

Given the opening cash position in 2023 the Group has sufficient existing and committed financing facilities to manage in a situation where multiple principal risk scenarios occur concurrently. This will likely not be the case in future years as we increase capital expenditure and reduce the Group's cash position. In the event of multiple principal risk scenarios occurring the Directors believe that the borrowing capacity of the Group would be sufficient to allow it access to temporary additional facilities.

Based on the results of the analysis, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their detailed assessment.



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OUR STAKEHOLDERS

ENGAGING WITH OUR STAKEHOLDERS

Despite significant pressures on customers' incomes and against an economic inflationary environment, we made progress with our strategy during 2022, and the Directors continued to engage with our stakeholders through a series of formal and informal activities.



Our Executive Directors undertake much of the day-to-day engagement across the various stakeholder populations with members of the Operating Board sometimes acting as proxies for the Directors. For example, since her appointment, the Chief Executive has met with several suppliers accompanied by our Operating Board lead, the Commercial Director. These have deepened her understanding of those relationships, and allowed her to hear how they are mutually beneficial, and what improvements could be made. After an engagement, the Chief Executive reports key findings to the Board.

A series of activities are planned across the year to which the Non-Executive Directors are invited. These include listening groups with colleagues, the annual management conference, and formal and informal visits to shops and production and distribution sites. Our Company Secretary retains an engagement log. At Board meetings, Directors are invited to comment on their activities and the key things they have learned.

SECTION 172 STATEMENT

The following pages 54 to 61 comprise our section 172 statement and describe how the Directors individually and collectively, acting in good faith, have exercised their duties over the course of the year to promote the long-term success of the Company for the benefit of its members as a whole, and in doing so have had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006.

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OUR STAKEHOLDERS CONTINUED



CUSTOMERS

How and why we engage

Our customers are at the heart of everything we do. Understanding the role we play in peoples' lives is at the forefront of how we plan and operate, so we're constantly evolving our proposition to remain relevant.

By speaking to customers in shops, through our Customer Care and Insight teams, and across our digital channels – we're constantly listening and learning so we can understand how best to serve the nation.

1 2 4 5

Impact on Board decisions

Our purpose is to make great tasting, freshly prepared food available to everyone, and our vision is to be the customers' favourite for food-on-the-go. With this in mind, the Board approved a significant and extended shop opening programme which is putting Greggs into new locations through relationships with, for example, supermarkets and new franchise partners. The Board approved extending shop opening hours so that at least 500 shops would remain open until 8pm, with a complementary evening range.

At the Board's strategy meeting in the summer, the team considered what the future might hold for our customers in ten years' time. This assessment is now being used to develop customer strategies in the coming years. More detail has been set out in the case study entitled Understanding our customers on page 60.

STRATEGIC PILLARS

1 Great tasting, freshly prepared food



COLLEAGUES

How and why we engage

Our people are what makes our business successful. We strive to provide a great place to work, where our colleagues feel valued, can be themselves, want to stay with us, and new employees want to join. As our business grows, we continue to recruit new talent, which is harder in the current employment market. To help us tackle this issue, we launched a new Greggs Career website and recruitment system in 2022. We continue to communicate with our colleagues through regular Chief Executive updates, partnership forums, the colleague suggestion scheme 'Your Ideas Matter', and our annual conference and cascades. Our three networks – ethnicity, disability, and LGBTQ+, as well as our D&I steering group – are attended by many colleagues from across the business as well as the sponsors from our Operating Board.

1 3 5

Impact on Board decisions

With the lifting of Covid-19 restrictions, the success of the national vaccination campaign and the lower impact of the Omicron variant, the Board were pleased to be able to recommence meeting colleagues from across the business in person. These meetings help our Directors to consider the environment in which our people operate, the challenges that they face in their day-to-day working lives, and the impact of Board decisions on operational activities. For example, the Board's decision to extend shop opening hours requires additional workforce planning and recruitment to keep shops open during longer hours, often for 12 hours or longer. Board members attended Listening Groups and meetings of the Greggs Negotiating Committee (GNC) (the formal conduit for engaging with recognised unions). More information outlining the various colleague engagement activities is outlined in pages 58 to 59.

1 2 3 4 5

Impact on Board decisions

Every year, our Chief Executive attends several 'top-to-top' meetings with selected suppliers, accompanied by the Operating Board's Commercial Director. Since taking on the Chief Executive appointment, these included a visit to a waste recovery and recycling plant operated by our partner, Biffa, and a meeting with our milk supplier, Müller, to discuss our commitment to animal welfare. Findings from such meetings assist the Board in considering our environmental strategy as part of The Greggs Pledge, for example, the difference we can make to recycling rates by improving how we sort our waste before it goes to Biffa's plant.



SUPPLIERS

How and why we engage

By working collaboratively with suppliers who share our values, we produce high-quality products while also having a positive impact on people and the planet. Although we manufacture the majority of what we sell, we are reliant on food ingredient suppliers, services providers, property landlords, sellers of 'goods not for resale' – such as shop uniforms and equipment – and many other suppliers. We use the Ariba platform to qualify suppliers and a variety of tools to support our focus on ethics and sustainability. To build and maintain good relationships, we also hold regular meetings, undertake joint projects and visit and invite our suppliers to our annual Supplier Conference.



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OUR STAKEHOLDERS CONTINUED



SHAREHOLDERS

How and why we engage

Our shareholders are the owners of the business, and we have obligations to keep them apprised of significant developments. We do this through our regular reporting schedule and meetings with institutional shareholders across the year, conducted mainly by the Chief Executive and Chief Financial Officer.

We hold an AGM after which Directors mix with attendees over a Greggs lunch. After two years of virtual meetings due to the pandemic, we were pleased to once again welcome shareholders in-person to our AGM in May 2022.

2 4 5

Impact on Board decisions

The Chief Financial Officer leads on the Board's engagement with institutional investors and analysts, has regular interaction with existing and potential investors, and reports to the Board on the key points that arise from those meetings. At each Board meeting, a register of the top shareholdings is tabled, including movements of buyers and sellers. Following the Preliminary and Interim Results Roadshows, the Board receives feedback from investors and analysts on Company performance and levels of engagement. The Chair and Senior Independent Director offered meetings to several major shareholders to discuss the process that had resulted in Roisin Currie succeeding Roger Whiteside as Chief Executive.

LENDERS



How and why we engage

Greggs is a cash-generative business and prior to the pandemic had not needed to approach capital and debt markets to fund its growth strategy. With the onset of the pandemic, it became clear that it would be appropriate and prudent to have in place a formal bank facility, and consequently, towards the end of 2020, a revolving credit facility of £100 million was put in place with two commercial banks. Although that facility remains undrawn, as part of that ongoing relationship, the Finance team provide regular performance and covenant compliance updates to banking partners.

1 2 3 4 5

Impact on Board decisions

In determining the use of cash resources, the Board has regard to several stakeholders, including shareholders (through the potential for dividend payments), colleagues (through pay awards and bonus entitlements), and Greggs pension scheme obligations (through managing the scheme alongside the Trustee to ensure it is successful on its journey to de-risking in the next few years). Should the Board authorise a drawdown of the revolving credit facility, it would take that debt into consideration when determining the allocation of cash resources.

During the year, the Board approved the payment of an additional £5.5 million to the Trustee of the defined benefit pension scheme ('the Scheme'), to enable it to respond to cash calls received from Legal & General Investment Management during the so-called 'LDI crisis'. The Board had previously approved the payment of £15 million into the Scheme over six years as part of a deficit recovery programme and agreed to bring forward annual payments so that the Trustee could meet the cash call. This advanced funding will assist the Company and the Scheme along its journey towards buy-out in the coming years.



COMMUNITIES

How and why we engage

The sheer 'localness' of our operations and our longstanding relationship with the Greggs Foundation helps us to better understand the needs of our communities and how we are placed to make a positive impact. We aim to build stronger, healthier communities – a fundamental tenet of The Greggs Pledge. We do this through initiatives such as Greggs Breakfast Clubs, our food donation programme and our employability programme Fresh Start, as well as by facilitating fundraising activities for many other good causes, including the Disasters Emergency Committee (DEC), Children in Need, The Children's Cancer Run and the Poppy Appeal.

1 5

Impact on Board decisions

The Board, acting through the Operating Board, approved support for the DEC's fundraising to provide relief to those impacted by the war in Ukraine. Thanks to the generosity of our customers, we were able to donate over £278,000. We also celebrated our sixteenth anniversary as a BBC Children in Need partner, helping to improve the lives of children and support our communities across the UK – raising over £782,000 this year alone.

STRATEGIC PILLARS

- 1 Great tasting, freshly prepared food
- 2 Best customer experience
- 3 Competitive supply chain
- 4 First class support teams
- 5 The Greggs Pledge

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OUR STAKEHOLDERS CONTINUED

Following two years of disruption caused by the pandemic when virtual meetings were the norm, the Board welcomed the opportunity to engage with stakeholders face-to-face in 2022.

Below, by stakeholder, are some examples of the activities undertaken by the Board, or relevant information that was presented to them.

COLLEAGUES

Attendance at Greggs Negotiating Committee meetings

CUSTOMERS

Progress report on App development

SHAREHOLDERS

Declaration of interim dividend

Attendance at listening groups with our retail operations managers and manufacturing colleagues

Market insight presentations

Annual general meeting

Updates on achieving the National Equality Standard

Pricing strategy and impact of inflation

Share register monitoring and development of an engagement plan

Findings from the Employee Opinion Survey (see more on page 61)

Attendance at a menu tasting session with our category and food development teams (see case study on page 59)

Investor relations strategy review and the allocation of resource

Undertaking shop visits to meet our shop teams

Attendance at 'Customer of the Future' session (see case study on page 60)

Transparency around the Chief Executive recruitment plan

Attending a fundraising walk to support the Greggs Foundation (see case study on page 58)

Presentations from Customer Insight team (see case study on page 60)

Consultation ahead of the tabling of the remuneration policy in 2023

Participating in colleague development days



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OUR STAKEHOLDERS CONTINUED



Colleague engagement

Board engagement

In September, the Board visited shops in and around Birmingham city centre, speaking with colleagues and customers, and seeing new formats such as the 'Tasty by Greggs' café within the Primark store. The Board also visited the Birmingham distribution centre and engaged with colleagues responsible for fulfilling shop stocking requirements and saw the logistics planning system that supports deliveries to shops in the Midlands area every day.

In addition to the Board visit to Birmingham, Chief Executive, Roisin Currie, Non-Executive Director Mohamed Elsarky, and Supply Chain Director, Gavin Kirk, visited colleagues at our National Distribution Centre in Kettering to discuss the current operation at the site and understand key capacity constraints and plans in place to ensure supply at peak trading. They also discussed local recruitment, logistics plans and colleague facilities.

Non-Executive Director Helena Ganczakowski attended a meeting with colleagues at our North Lakes manufacturing site. A number of topics were discussed including the recruitment market, the available facilities on site and pay levels.

Sandra Turner, the Non-Executive Director having oversight for colleague engagement, attended the Masterclass development programme for some of our senior leaders and shared her knowledge and experience of being a non-executive director as well as providing an overview of her role. Sandra also conducted shop visits to meet our retail colleagues. Product availability was among the topics discussed.

Union recognition and engagement

As part of Greggs' longstanding relationship with recognised unions (Bakers Food and Allied Workers Union (BFAWU), Union of Shop, Distributive and Allied Workers (USDAW) and United Road Transport Union (URTU)), regular meetings are held covering a variety of topics, including trading, strategic initiatives, The Greggs Pledge and annual pay negotiations.

The GNC is our national union forum. It is attended by Sarah Woolley (General Secretary of the Bakers Food & Allied Workers Union) and union representatives from across our business. In July 2022, our Non-Executive Chair, Ian Durant, attended a scheduled meeting for an open feedback session where the teams were able to ask questions and provide any feedback on operations. The Chief Executive regularly attends this forum to provide a business update and engage in an open discussion regarding any issues the forum choose to table.

Topics that were discussed included recruitment challenges across the business, the appointment of the new Chief Executive as well as succession on the Main Board.

Retail Partnership Forum – December 2022

The Retail Partnership Forum is made up of our union representatives from across retail and the teams specifically discuss operational issues across the retail estate. Non-Executive Director Lynne Weedall attended to meet the team and understand their roles in representing their colleagues across retail. Key topics discussed in this meeting included retail systems and connectivity in shops and recruitment.

Fundraising walk to support the Greggs Foundation

Greggs continues to support the fantastic work of the Greggs Foundation including its Breakfast Club programme which by the end of 2022 had 789 Breakfast Clubs up and running, serving a free breakfast to 49,000 children.

To help raise funds for its Breakfast Club programme, the Greggs Foundation hosts an annual walk. In 2022, the walk covered 21 miles of the Northumberland coast, stretching from Holy Island to Bamburgh Castle. Over 250 walkers took part on the day, including members of the Board, colleagues, suppliers and partners, helping to raise a total of £50,000.

Total amount raised from the walk

£50,000

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OUR STAKEHOLDERS CONTINUED

Rewarding the workforce

Following a strong business performance in 2022, the Board was delighted to continue its long tradition of sharing 10% of profits with colleagues, enabling them to share in our success. Payments to qualifying colleagues will be made in late March 2023.

In order to determine the annual pay award, each year we undertake negotiations with the relevant trade unions representing those colleagues covered under a collective bargaining agreement. Following the successful conclusion of the resulting ballot, our shop teams receive a pay increase with effect from April in any year and our supply chain teams from January in any year.

The 2023 pay award agreed for our wider workforce consisted of a base pay award of 7%, with an additional 3% (10% in total) for certain roles and an additional 3.2% (10.2% in total) for our retail team members. Over three-quarters of our workforce received a pay increase of 10% or more. We chose to bring forward the pay increase for our operational retail colleagues (over 21,500 colleagues) by three months, from April to January 2023.

Over recent years, the pay award applied to our graded management population and Directors has reflected the base increase for our wider workforce and is generally applicable from January in any year. However, the Board acknowledged that 2022 was an unusual year with significant inflationary pressures being faced, particularly in the second half of the year. In recognition of these significant economic conditions and the disproportionate impact on our lowest paid colleagues, the Board agreed a tiered pay award for our graded management teams. Our lower paid management colleagues therefore received the base increase of 7%, whilst senior managers' pay awards

ranged between 5% and 6%. It was agreed that the pay award of both the Executive Directors and Operating Board should be proportionally lower and were subsequently agreed by the Board at 4%.

The pension contributions (or cash equivalent) for Executive Directors are fully aligned with most of the workforce as of 1 January 2023. Further details can be found in the Directors' remuneration report on page 78.

Provision 36 of the Governance Code requires the Remuneration Committee to develop a formal policy for post-employment shareholdings. The Committee has considered the new remuneration policy for the coming three-year period and the post-employment holding requirement will apply to all Executive Directors at the level of the shareholding guideline prior to departure or the actual shareholding on departure if lower. The previous approach was that a post-employment holding requirement would apply only for new Executive Directors. Full details can be seen in the Directors' remuneration report on page 85.



Menu tasting with our category and food development teams

As a food retailer, our menu is at the heart of our operations, and new product development and evolving our existing menu is key to our success. In November 2022, the Board attended a presentation and tasting session led by our category and food development teams at our dedicated FoodZone facility. As part of this session, the Board were invited to share feedback and insights on the core pillars of the menu for 2023 and beyond, diversification of the menu, healthier choices and the growth of our vegan range in line with our sustainability commitments.

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OUR STAKEHOLDERS CONTINUED

Understanding our customers

The Board receives several reports and presentations across the year from the Customer Insight team, which helps the Board determine various commercial strategies, factoring in competitor activity, pricing and inflation, customer footfall for shop locations and marketing promotions.

Specific topics covered in the year included:

- Macro customer trends
- Food-to-go market overview
- Greggs and competitor performance in food-to-go
- Brand health
- Brand perceptions/satisfaction
- Competitor profiling and analysis
- Daypart performance
- Business plan, deep dives:
 - Focus on delivery/evening/hot food
 - Focus on coffee
 - Focus on health

As part of our longer-term strategic planning for the business, the Board was engaged to provide challenge and debate about our future customers, their likely preferences, and how the business proposition would need to evolve to ensure that we remain relevant and appealing to reach our customer growth and retention aspirations.

We chose 2030 as the future date, and invited a third-party agency to provide an independent view of future mega-trends, using existing business knowledge and insights to help inform likely future customer habits.

The habits deemed the most pertinent in affecting the future strategic direction of the Greggs offering were then distilled into key areas. Members of the Operating Board used these areas to develop hypotheses which formed the foundation of a face-to-face Board strategic debate. The Board members' role was to challenge and shape the thinking of the business and to provide expert insights from their own experiences.

The outputs of these sessions and the strategic debate were fed into the relevant development teams and the workshops have now been repeated with our senior managers to further enhance the robustness of the inputs to our future strategy.



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OUR STAKEHOLDERS CONTINUED

Colleague engagement survey – Your Opinion Matters

In November 2022, the Directors received a presentation from Emma Walton, People Director and her team on the findings of the latest colleague engagement survey, 'Your Opinion Matters', conducted in the third quarter of 2022. The response rate was 78% overall (21,067 respondents), made up of 92% management and support, 79% in retail and 69% of supply chain. This compared with an overall response rate of 64% the last time the survey was undertaken in 2021.

We calculate an engagement score using four questions from the survey including: 'I am proud to say I work for Greggs' and 'I would still like to be working at Greggs in two years' time'. The engagement score was 77%, a drop of 5% versus 2021, 10% ahead of the relevant benchmark and given the unusual year with significant economic uncertainty which had an impact on the whole of the UK, the Board considered this to be a good outcome.

We cross-reference responses with self-declared ethnicity, sexual orientation and disability, and were pleased to see that overall levels of engagement are similar to those reported for the whole responding population. These results were shared with the Main Board and the D&I steering group. Sharing ethnicity data allows the Board to see progress towards our goal of having a workforce which reflects the communities where our shops are located.

The Board was informed that each function would be producing an action plan in response to specific findings, with the aim of improving the engagement of our colleagues over the next year.

Shareholders

The Chair takes responsibility for ensuring that key shareholders are aware of, and supportive of, the Board's approach to governance, networking widely across the institutional shareholder population, and from time-to-time meeting with larger shareholders.

Much of the regular interaction with shareholders and the analyst community is undertaken by the Chief Executive and Chief Financial Officer, particularly around the times of the release of the preliminary and interim results. In between, the Chief Financial Officer is in regular contact with the investment community sharing details of the Company's performance and strategy. Following key announcements, the anonymised views of shareholders are reported to the Board by UBS and Investec, the Company's retained brokers, and press and analyst feedback is provided by Hudson Sandler, the Company's financial communications consultants.

Following two years of virtual AGMs due to pandemic restrictions, we were pleased to be able to welcome our shareholders to attend the 2022 AGM in person. The AGM is generally attended by around 60 to 70 private shareholders and all Board Directors were in attendance along with members of the Operating Board.

Shareholders were able to meet Directors and Operating Board members during the refreshment breaks held before and after the meeting, as well as being invited to ask questions during the meeting itself. The Directors appreciate the opportunity to hear from private shareholders about their views on Company performance. Our Head of Sustainability was also in attendance to share key progress made in The Greggs Pledge.

On this occasion, the Board welcomed two individuals who raised concerns about the remuneration and treatment of workers within the business of our partner for online food order and delivery. They were given the opportunity to put their concerns to the Board both formally during the meeting and informally afterwards. As a result, the Board ensured that those concerns were raised with its delivery partner.

In advance of the Board seeking approval of its remuneration policy at the Annual General Meeting to be held in May 2023, the Chair of the Remuneration Committee wrote to the top 12 shareholders on the register and other interested parties to explain proposed changes to the policy and offered to meet and explain the Committee's reasoning. Several shareholders and proxy agencies responded offering support or seeking further information ahead of casting their votes. Feedback from that engagement was shared with the Remuneration Committee and Board, and was used to shape how the policy will be applied, assuming it is approved.

Other stakeholder considerations

Greggs is committed to acting fairly towards all stakeholders of the Company. The impact of the Company's operations on the environment is covered in The Greggs Pledge report on pages 32 to 34. Our business conduct policy is available on our website.

Roisin Currie

Chief Executive
7 March 2023



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BOARD OF DIRECTORS AND SECRETARY



MATT DAVIES

Chair

Matt is a widely experienced retailer and was previously the CEO of Tesco UK&ROI, before which he held CEO positions at Pets at Home and Halfords. As a Non-Executive Director, Matt chaired N Brown Group plc and was on the Board of Dunelm Group plc.



ROISIN CURRIE

Chief Executive

Roisin was appointed Chief Executive following the AGM held on 17 May 2022, having been appointed to the Board on 1 February 2022 from the role of Retail and Property Director. Prior to joining Greggs in 2010, Roisin worked at Asda where she held People Director roles responsible for the organisation's retail and distribution operations.



RICHARD HUTTON

Chief Financial Officer

Richard qualified as a Chartered Accountant with KPMG and gained career experience with Procter and Gamble before joining Greggs in 1998.



MOHAMED ELSARKY

Non-Executive Director

Mohamed is an experienced international food manufacturing executive, who has held senior positions in Kellogg, Danone and Godiva Chocolatier and has previously held Non-Executive Director positions including at Nomad Foods, a company listed on the New York Stock Exchange.



KATE FERRY

Non-Executive Director

Kate was appointed Chief Financial Officer at McLaren Group in April 2021. Prior to joining McLaren Group, Kate was Chief Financial Officer of TalkTalk Group and has previously held positions on the Dixons Carphone plc Executive Committee. Kate began her career in audit with PricewaterhouseCoopers, qualifying as an ACA before moving to Merrill Lynch as a Director within the retail sector equity research team, where she spent the next ten years.

Appointed since

2 August 2022

Appointed since

1 February 2022

Appointed since

13 March 2006

Appointed since

21 June 2021

Appointed since

1 June 2019

Independent

Yes

Independent

n/a

Independent

n/a

Independent

Yes

Independent

Yes

Committee membership

Chair of Nominations Committee.

External appointments

Chair of the Employers Forum
For Reducing Re-offending.

External appointments

Non-Executive Director and Chair of the Audit Committee of The Lakes Distillery Company plc.
Trustee Director of Business in the Community. Trustee of Greggs Foundation.

Committee membership

Member of Audit, Remuneration and Nominations Committees.

External appointments

Senior Adviser at Bain Partners

Committee membership

Chair of Audit Committee.
Member of Remuneration and Nominations Committees.

External appointments

CFO McLaren Group. Chair of Audit Committee – British Olympic Committee Foundation.

As noted on page 66, Nigel Mills was appointed to the Board as a Non-Executive Director on 7 March 2023.

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BOARD OF DIRECTORS AND SECRETARY CONTINUED



HELENA GANCZAKOWSKI

Non-Executive Director

Helena worked for Unilever for 23 years and held senior positions in brand management and marketing, including UK Marketing Director and ultimately Head of Global Agencies. Helena was also previously a director of PAD, a leading producer of sustainable cleaning brands. Helena has a PhD in Engineering from the University of Cambridge.



SANDRA TURNER

Non-Executive Director

Sandra has been involved in the retail sector throughout her career and was employed by Tesco PLC, latterly as Commercial Director for Tesco Ireland, from 1987 to 2009. Prior to this she worked in sales and marketing roles for Unilever and Wilkinson Sword. Sandra has held a number of Non-Executive Directorships in UK-listed companies, including McBride plc and Countrywide PLC.



LYNNE WEEDALL

Non-Executive Director

Lynne has been involved in the retail sector throughout her career, latterly as Group People and Culture Director for Selfridges Ltd. Prior to joining Selfridges Ltd, Lynne was Group Director of Human Resources at Dixons Carphone plc (now Currys plc) and has previously held senior positions in companies such as Whitbread plc and Tesco plc.



JONATHAN JOWETT

Company Secretary and General Counsel

Jonathan is a lawyer by profession and has held the position of Company Secretary for a number of FTSE 250 and FTSE Smallcap companies. His previous employers include Avon Cosmetics Limited, SSL International plc, Wagon plc and Bakkavor Group.

Appointed since

2 January 2014

Independent

Yes

Committee membership

Member of Audit, Remuneration and Nominations Committees.

External appointments

Senior Independent Non-Executive Director and Remuneration Committee Chair of Croda International Plc. Owner and manager of a consulting business working at a global level with multi-national food businesses, helping them to develop and implement strategies.

Appointed since

1 May 2014

Independent

Yes

Committee membership

Senior Independent Non-Executive Director and Non-Executive Director having oversight of colleague engagement. Member of Remuneration, Audit and Nominations Committees.

External appointments

Non-Executive Director of Huhtämaki OYJ.

Appointed since

17 May 2022

Independent

Yes

Committee membership

Chair of Remuneration Committee. Member of Audit and Nominations Committees.

External appointments

Senior Independent Non-Executive Director and Remuneration Committee Chair at Dr. Martens plc and Senior Independent Non-Executive Director and Remuneration & Nomination Committee Chair at Softcat plc. Non-Executive Director of Stagecoach. Member of The Prince's Trust Council.

Appointed since

12 May 2010

Independent

n/a

External appointments

Member of the British Retail Consortium Policy Board. Senior Independent Non-Executive Director of Newcastle Hospitals NHS Foundation Trust. Chair of Trustees of the Great North Air Ambulance Service.

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The Nominations Committee uses a skills matrix as it assesses the requirements for new recruits. This is shown below, with incumbents' attributes:



	Matt Davies	Mohamed Elsarky	Kate Ferry	Helena Ganczakowski	Sandra Turner	Roisin Currie	Richard Hutton	Lynne Weedall
UK PLC Executive Director experience	●		●			●	●	●
UK PLC Non-Executive Director outside Greggs	●			●	●		●	●
Finance/banking	●		●				●	
Mergers and acquisitions	●		●					●
HR and Remuneration Committee experience	●		●	●	●	●		●
Food manufacturing experience		●				●	●	
Food retailing experience	●		●		●	●	●	
Food safety, Health and safety	●		●			●	●	
International experience	●		●	●	●			●
Broader consumer sector experience	●		●	●	●	●	●	●
Marketing expertise	●		●	●	●			
Digital expertise	●		●	●				
Gender diversity			●	●	●	●		●
Ethnicity diversity		●						
Corporate governance	●		●	●	●		●	●

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GOVERNANCE REPORT – CHAIR'S INTRODUCTION

CHAIR'S INTRODUCTION

Dear Shareholder

Welcome to my introduction to the governance section of the Greggs annual report, following my appointment as Chair on 1 November 2022.

I am delighted to have been asked to Chair the Board of Greggs, a company I have long admired. I have spent my first few months since I was appointed as a Non-Executive Director visiting our operations and meeting colleagues across the business.

Culture and purpose

At Greggs, our purpose is to provide our customers with great tasting, freshly prepared food at affordable prices. Our colleagues are what makes our business successful. We are focused on providing them with a great place to work, where they feel valued and have the opportunity to fulfil their potential. Our values are at the core of how we operate, and the Board experiences those values whenever it meets with colleagues across the breadth of our operations.

Our people

We remain focused on improving our diversity and inclusion across the business. Earlier in the year, we achieved accreditation to the National Equality Standard, and we now have a number of working groups where colleagues have the opportunity to consider ways that we can improve their experience as a colleague at Greggs.

Board composition and operations

It has been another very busy year for the Nominations Committee, first identifying and recommending Lynne Weedall to the Board. Lynne is a highly experienced executive and Non-Executive Director, and has assumed

the Chair of the Remuneration Committee in anticipation of Helena Ganczakowski's stepping down from the Board following the 2023 AGM.

As noted below, we have recruited Nigel Mills as Senior Independent Director to replace Sandra Turner, who will also step down from the Board after the AGM. I have placed on record the Board's thanks for their nine years on the Board overseeing significant change and growth. The Nominations Committee also oversaw my recruitment, which is reported on in more detail on page 67, and on behalf of the Company I thank Ian Durant for ensuring such a smooth hand over, and for his leadership of the Board since 2013.

The Board has largely met in person during the year, save for two shorter meetings which were held virtually. In September we met with senior managers from the retail team and visited our own and competitor shops, talking with colleagues and customers about their Greggs experience. We also visited the Birmingham distribution centre and spoke with colleagues who are working so hard to deliver quality products to our customers. More details of how we engage with stakeholders are set out on pages 54 to 61.

The Greggs Pledge and sustainability

The Greggs Pledge is a topic of regular focus, and the Board receives frequent updates on progress against those commitments, and on the wider sustainability agenda. More details of our activities are set out on pages 32 to 34, and in our separate sustainability report, The Greggs Pledge, which can be found on the corporate website. The team have produced a much-extended report of our approach to and compliance with the Task Force on Climate-related Financial Disclosures, which can be found on pages 35 to 41. There are

a couple of areas that we continue to work on to achieve full compliance, but we are very pleased with the progress so far. We have set near-term science-based emissions reduction targets which have been approved by the Science Based Targets initiative, and again further details can be found on page 35.

Governance and reporting

I am aware that Greggs has a good record of governance, ensuring that it has the right processes in place to support the business as we continue to deliver our growth plans as were highlighted by management in October 2021. However, there were two areas from the UK Corporate Governance Code (2018) ('the Governance Code') where the Company did not comply during the year. Those are in respect of Provision 19, as my predecessor remained on the Board for ten years and 11 months as he oversaw Chief Executive succession delayed by the pandemic, and Provision 38, where our Chief Financial Officer's pension contribution was being aligned with that of the majority of the workforce over time, but has since been brought into line. Otherwise we were compliant with the Governance Code during 2022, and I invite you to consider that alongside the report on how the Directors have fulfilled their duties in accordance with s172 Companies Act 2006.

I look forward to welcoming shareholders to our AGM which will be held in Newcastle on 17 May 2023.

Matt Davies

Chair
7 March 2023



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GOVERNANCE REPORT CONTINUED

This Governance Report sets out how the Company has applied the principles in the 2018 UK Corporate Governance Code during its financial period ended 31 December 2022. A copy of the Code is available at <https://www.frc.org.uk/directors/corporate-governance/uk-corporate-governance-code>

Board composition, succession and evaluation

The Board has seen several changes in the year. Roisin Currie joined the Board as CEO Designate on 1 February 2022, and became Chief Executive following her election to the Board by shareholders immediately following the close of the AGM on 17 May, as Roger Whiteside retired from the Board. On the same date, Lynne Weedall joined the Board as an independent Non-Executive Director, and will offer herself for election by shareholders at the 2023 AGM.

Lynne became Chair of the Remuneration Committee in September 2022, taking over from Helena Ganczakowski ahead of an informal consultation with certain institutional investors and proxy advisers in advance of the renewal of our remuneration policy due to be tabled at the AGM in 2023.

Ian Durant stepped down as a Director and Chair on 31 October 2022, having been a Non-Executive Director since October 2011 and Chair since May 2013. Ian had been invited to extend his tenure on the Board beyond the nine years anticipated by Provision 19 of the Governance Code, in order to oversee the Chief Executive succession plan which had been delayed as a result of the pandemic. In that respect, the Company did not comply with the Governance Code, but despite this Ian had been re-elected by shareholders at the AGM in May 2022 with over 95% of those who voted supporting his re-appointment. Our new Chair, Matt Davies, will step down from the Board and offer himself for election by shareholders at the AGM in May 2023.

As part of the appointment of any new Non-Executive Director, a number of engagements with colleagues are set up to familiarise the appointee with all operations, including those in shops, at production and distribution sites, and at Greggs House. As Roisin Currie had not previously held a directorship of a public company, her induction included reference to the roles and responsibilities of being a company director of a listed company.

Once a new Non-Executive Director has been on the Board for around six months, they are asked to present to the Board their 'first impressions'. This provides feedback on strategy, processes and procedures including the induction process, and a view on key strategic priorities for the future. This facilitates further debate and discussion around the Board table, with agreed areas for attention in the coming months. In particular it helps identify areas within the induction process where greater or lesser focus may be appropriate. As their nine-year terms have or will have expired by the time of the AGM in 2023, both Sandra Turner and Helena Ganczakowski will leave the Board following the close of that meeting. Helena relinquished the role of Chair of the Remuneration Committee in September 2022 following the appointment of Lynne Weedall. As announced on 7 March 2023, the Board has appointed Nigel Mills as an independent Non-Executive Director. Following his election to the Board by shareholders, Nigel will assume the role of Senior Independent Director when Sandra Turner steps down from the Board at the close of the AGM on 17 May 2023.

Nigel had a distinguished executive career having been Chief Executive at Hoare Govett and Chair of Corporate Broking at Citi Group, advising a wide range of companies including a significant number within the Consumer sector. He currently holds the Senior Independent Director role at both John Wood Group PLC and at Persimmon plc, where he was also acting Chair during 2018.

The Nominations Committee is also currently in the process of recruiting an additional independent Non-Executive Director.

Sharing Board responsibility

There is a clear written statement of the division of responsibilities between the Chair and the Chief Executive, and the Chair is considered by all of the Directors to have been independent on his appointment, and continues to be so.

There is a written statement of the responsibilities of the Senior Independent Director, duly approved by the Nominations Committee and the Board. Sandra Turner was Senior Independent Director throughout the year, and met with the other Non-Executive Directors on at least one occasion in the absence of the Chair. Sandra also chaired the Nominations Committee as it set about the search for a new Board Chair, ultimately leading to the Committee recommending to the Board the appointment of Matt Davies, initially as an independent Non-Executive Director and Chair Designate.

During the year, Ian Durant continued his adopted practice of holding regular and informal conversations with the Non-Executive Directors, collectively and individually ensuring that they had plenty of opportunity to raise any concerns that they might have or to express opinions. Ian also had regular sessions with the Executive Directors and members of the Operating Board. Matt Davies is now developing his own style of leadership and interaction with Board members and senior management.



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GOVERNANCE REPORT CONTINUED

The Board has three main Committees, being the Audit, Remuneration and Nominations Committees, each chaired by an independent Non-Executive Director. Terms of reference for each of the Committees, which were last reviewed by the Board and re-adopted by the respective Committee in November 2022, can be found on the corporate website. Details of the work of those Committees can be found on pages 72 to 77 (Audit Committee report), 78 to 100 (Directors' remuneration report), and 67 to 68 (Nominations Committee update).

The Board generally schedules six formal meetings in each year, and then meets from time to time as may be required. Board and Committee meetings are well attended, and attendance is set out in the following table:

Attendance	Board	Audit Committee	Remuneration Committee	Nominations Committee
Current Directors				
Matt Davies ¹	2/2		1/1	2/2
Roisin Currie ²	6/6			
Richard Hutton	8/8			
Mohamed Elsarky	8/8	4/4	4/4	6/6
Kate Ferry	8/8	4/4	4/4	6/6
Helena Ganczakowski	8/8	4/4	4/4	6/6
Sandra Turner	8/8	4/4	4/4	6/6
Lynne Weedall ³	4/4	2/2	3/3	3/3
Retired Directors				
Ian Durant ⁴	6/6			5/5
Roger Whiteside ⁵	4/4			

¹ Matt Davis joined 1 August 2022

² Roisin Currie appointed 1 February 2022

³ Lynne Weedall appointed 17 May 2022

⁴ Ian Durant retired 31 October 2022

⁵ Roger Whiteside retired as a Director 17 May 2022

Nominations Committee update

The Nominations Committee is chaired by the Board Chair and has written terms of reference that are reviewed each year and approved by the Board and adopted by the Committee. Those terms of reference, which are available on the Company's corporate [website](#), set out the responsibilities of the Committee. All of the Non-Executive Directors are members of the Committee, in line with the Board's current policy of having all Non-Executive Directors appointed to each of the three main Committees. The Chief Executive is a regular attendee at Nominations Committee meetings, and from time to time the Chief Financial Officer and the People Director are also invited.

The Committee's primary responsibility is to ensure plans are in place for orderly succession to the Board, and also to the Operating Board when that is not reviewed by the Board as a whole. During 2022, the Board received a presentation from the Chief Executive and from the People Director on the succession plan for the Operating Board Directors, to include a review of potential candidates and their proximity to being ready to take up an appointment as and when appropriate. During the year, there were two appointments to the Operating Board, both of which were internal promotions.

During 2022, the Committee's primary task was to oversee the recruitment of a Chair to replace Ian Durant, who was to step down from the Board having overseen the Chief Executive succession. In this respect, Sandra Turner led the Committee, supported by Heidrick and Struggles (H&S), the Committee's retained adviser (who have no connection with the Company or any individual Director). The key stages of that process included:

- H&S conducting one-to-one confidential interviews with all Board Directors on the key criteria (skills, experiences and personal characteristics) required for the new Chair including interviews with the outgoing Board Directors.

- Board Directors participated in the H&S Success Profile Builder, an online, mobile-enabled survey to ensure alignment on the strategic context and collective priorities amongst Board members.
- A role specification for the new Chair was prepared for and approved by the Board.
- H&S conducted a market mapping exercise to identify Chair candidates who met the agreed selection criteria and then began initial informal referencing of candidates approved by the Nominations Committee.
- Interested Chair candidates were introduced to Sandra Turner and Helena Ganczakowski for an initial meeting, supported by confidential candidate reports.
- Chair candidates met with Róisín Currie ahead of the Committee agreeing on preferred candidates to take forward.
- Preferred candidates met remaining Non-Executive Directors and the Chief Financial Officer.
- Preferred Chair candidates met with Ian Durant for information gathering purposes and due diligence.

The process lasted some five months, with the Nominations Committee meeting during July 2022 and the Board decision on the appointment being made on 1 August.

In the meantime, the Nominations Committee, led by Board Chair, Ian Durant, had also undertaken a process to appoint a new Non-Executive Director with experience of chairing Remuneration Committees, with a view to replacing Helena Ganczakowski as Chair of the Remuneration Committee given that Helena's nine-year term as a Director was due to expire in January 2023. The Committee was again supported by H&S, and on 27 April 2022 the Board announced that Lynne Weedall had been appointed with effect from the close of the AGM on 17 May 2022. Lynne will step down as a Director at the AGM in 2023, and will offer herself for election by shareholders.



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GOVERNANCE REPORT CONTINUED

In selecting new Non-Executive Directors the Nominations Committee uses a skills matrix (as shown on page 64) to assess the necessary and preferred attributes in potential candidates, and for the exercise undertaken in 2022, the assessment was reviewed by H&S and used to develop the role specification. The Nominations Committee also takes into account other demands on the potential candidates' time and asks them to confirm they will be able to commit the necessary time to Greggs, with that commitment ultimately being included in the Letter of Appointment.

The Nominations Committee has considered the contribution of each of the Directors, and has confirmed to the Board its recommendation that all Non-Executive Directors including the Chair should be appointed or re-appointed at the AGM in May 2023.

Board evaluation and activity

As required by the Governance Code, the Board undertakes an annual evaluation of its activities and effectiveness and those of its Committees. An externally facilitated evaluation was undertaken in 2021, supported by Grant Thornton, and therefore in December 2022, under the leadership of new Board Chair Matt Davies, it was agreed that an internal assessment be undertaken, using the Board Clic online tool. This generated a report for the Board and each of its Committees, and also a comparison with scores from the previous year when the tool had also been used to support Grant Thornton's review. The Company Secretary produced a summary of key themes arising from the reports, and having discussed those themes and the reports, a series of actions were agreed as part of the Board's objectives for 2023.

In addition the Non-Executive Directors meet without the Chair present to appraise the performance of the Chair. The Non-Executive Directors met during 2022 to appraise the performance of Ian Durant during 2021. Given the change of Chair announced in the summer of 2022 which was effected

on 1 November 2022, the Senior Independent Director and the remaining Non-Executive Directors did not consider an appraisal of either the outgoing or incoming Chair's performance appropriate.

The Board made a number of key decisions across the year including the significant appointments of a new Chief Executive and Chair, and plans for significant supply chain investment as had been envisaged at the Capital Markets Day held in October 2021. Other matters considered across the year included:

January	Appointment of CEO Designate; budget for 2023; risk review; governance report for the annual report; and Board evaluation.
March	Preliminary results and annual report; the partnership with Primark; the commencement of a review of the potential for expansion beyond the UK; an investor relations strategy; and resource requirements.
May	Supply chain development; a review by joint broker Investec; and AGM preparation including consideration of proxy adviser reports and voting.
June	The annual strategy meeting where topics included customer and market insight, the customer and workforce of the future; and a deep dive into sustainability and climate change.
July	Interim results; business plan 2022 progress updates; and the appointment of a Chair Designate.
September	A visit to a number of our shops in Birmingham and a visit to the Birmingham distribution centre; a review of stakeholder engagement; a market update and presentation from UBS as joint broker; a review of Operating Board succession; and an update on supply chain development plans.
November	A presentation on the outcomes of the annual employee opinion survey; a review of food safety and health and safety; and a presentation from the new Chair of the Greggs Foundation on its recent activity.

Diversity and inclusion (D&I)

The Board as a whole, rather than the Nominations Committee, monitors the gender balance in the Company. 67% of our employees are women, with female workers largely within retail shops. There is a strong representation of women at the most senior level. Of the seven Non-Executive Directors (including the Chair) four are female. Greggs is one of 18 FTSE 350 companies to be led by a female Chief Executive. At Operating Board level, including the two Executive Directors, four out of 11 are women and approximately 46% of roles reporting into an Operating Board Director are held by women. Further information on our statutory gender reporting can be found on page 42.

In 2021, we set out our intention to pursue the National Equality Standard which we successfully achieved in Q2 2022.

Key to our success is having leaders who advocate for D&I, supporting people throughout their employment journey and having strategies in place to drive change. During 2022 we established a D&I steering group, with cross functional representation at senior management level.

Our colleague networks continue to develop, supported by their Operating Board sponsors.

Our LGBTQ+ colleague network worked on recommendations for optional pronouns to be included on name badges. Our Ethnicity network supported the development and delivery of a Zero Tolerance campaign focusing on customer attitude towards colleagues and our Disability network provided invaluable insight and feedback to develop our Neurodiversity Guides covering ADHD, Autism, Dyslexia and Dyspraxia. We continue to listen to and learn from our networks to understand how we can improve the way we do things at Greggs and how we can be more inclusive of colleagues from minority groups.



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GOVERNANCE REPORT CONTINUED

A more comprehensive outline of our achievements can be found in The Greggs Pledge report, available at corporate.greggs.co.uk/responsibility/the-greggs-pledge.

As part of the DTR 7.2.8A disclosure, pages 32 and 33 are incorporated by reference into this Directors' report.

Other disclosures

Directors and their interests

The names of the Directors in office during the year, together with their relevant interests in the share capital of the Company at 1 January 2022 and 31 December 2022 are set out in the Directors' remuneration report on page 98. Details of the Directors' share options are set out in the Directors' remuneration report on page 96.

Directors' indemnities and conflicts

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors, to the extent permitted by law, in respect of losses arising out of, or in connection with, the execution of their duties, powers or responsibilities as Directors of the Company. The indemnities do not apply in situations where the relevant Director has been guilty of fraud or wilful misconduct.

Under the authority granted to them in the Company's articles of association, the Board has considered carefully any situation declared by any Director pursuant to which they have or might have a conflict of interest and, where it considers it appropriate to do so, has authorised the continuation of that situation. At each Board meeting, a Schedule of Potential Conflicts of Interest is reviewed and Directors are asked to declare any new or changed interests. In exercising their authority, the Directors have had regard to their statutory and other duties to the Company. All Directors have access to the Company Secretary as and when required.

Substantial shareholdings

At 6 March 2023 the only notified holdings of substantial voting rights in respect of the issued share capital of the Company (which may have altered since the date of such notification, without any requirement for the Company to have been informed) were:

Shareholder	Number of shares held	Percentage of issued share capital
Royal London Asset Management	6,117,002	5.99%
BlackRock, Inc.	5,185,999	5.08%
Schroders plc	5,121,967	5.02%
MFS Investment Management	5,049,548	4.95%
Aviva plc	4,065,885	3.98%

Additional information

- Future business developments: details of future business developments can be found throughout the strategic report on pages 1 to 61.
- Financial risk management: details of our financial risk management policies and objectives can be found in Note 2 of the accounts.
- The information set out within the governance report in pages 65 to 71 forms part of the Directors' report.
- Greenhouse gas emissions: All disclosures concerning the Group's greenhouse gas emissions (as required to be disclosed under the Companies Act 2006 (strategic report and Directors' report) Regulations 2013) are contained in the TCFD report on pages 35 to 41.
- Dividends: details of the dividends declared and paid are given in Note 22 of the accounts.
- Stakeholder engagement: details of the Group's engagement with colleagues, suppliers, customers and others are given on pages 54 to 61.

Non-financial reporting regulations

The information required by sections 414CA and 414CB of the Companies Act 2006 is included within the strategic report on pages 1 to 61 and the Directors' report on pages 62 to 101.

Authority to purchase shares

At the AGM on 17 May 2022, the shareholders passed a resolution authorising the purchase by the Company of its own shares to a maximum of 10,100,000 ordinary shares of two pence each.

That authority had not been used as at 31 December 2022.

The authority remains in force until the conclusion of the AGM in 2023 or 16 August 2023, whichever is the earlier. It is the Board's intention to seek approval at the 2023 AGM for the renewal of this authority.

Takeover directive information

Following the implementation of the European Directive on Takeover Bids by certain provisions of the Companies Act 2006, the Company is required to disclose certain additional information in the Directors' report. This information is set out below:

- The Company has one class of share in issue being ordinary shares of 2 pence each. As at 7 March 2023, there were 102,120,602 such ordinary shares in issue. There are no shares in the Company that grant the holder special rights with regard to the control of the Company;
- At general meetings of the Company, on a show of hands, every shareholder present in person or by proxy has one vote only and, in the case of a poll, every shareholder present in person or by proxy has one vote for every share in the capital of the Company held;
- The Company's articles of association set out the circumstances in which shares may become disenfranchised. No shareholder is entitled, unless the Directors otherwise determine, in respect of any share held to be present or vote at a general meeting either personally or by proxy (or to exercise any other right in relation to meetings of the Company) in respect of that share in certain circumstances if any call or other sum is payable and remains unpaid, if the shareholder is in default in complying with a duly-served notice under



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section 793(1) of the CA 2006 or if any shareholder has failed to reply to a duly-served notice requiring them to provide a written statement stating they are the beneficial owner of the shares;

- A notice convening a general meeting can contain a statement that a shareholder is not entitled to attend and vote at a general meeting unless their name is entered on the register of members of the Company at a specific time (not more than 48 hours before the meeting) and if a shareholder's name is not so entered, they are, not entitled to attend and vote;
- Under the Company's articles of association the Directors may, in their absolute discretion, refuse to register the transfer of a share in certified form in certain circumstances where the Company has a lien on the share (provided that the Directors do not exercise their discretion so as to prevent dealings in partly paid shares from taking place on an open and proper basis), where a shareholder has failed to reply to a duly-served notice under section 793(1) CA 2006 or if a transfer of a share is in favour of more than four persons jointly. In addition, the Directors may decline to recognise any instrument of transfer unless it is in respect of only one class of share and is deposited at the address at which the register of members of the Company is held (or at such other place as the Directors may determine) accompanied by the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. In respect of shares held in uncertificated form the Directors may only refuse to register transfers in accordance with the Uncertificated Securities Regulations 2001 (as amended from time to time);
- Under the Company's code on dealings in securities in the Company, persons discharging managerial responsibilities and some other senior executives may in certain circumstances be restricted as to when they can transfer shares in the Company;

- There are no agreements between shareholders known to the Company which may result in restrictions on the transfer of shares or on voting rights;
- Where, under an employee share plan operated by the Company, participants are the beneficial owners of shares but not the registered owner, the voting rights are normally exercised by the registered owner at the direction of the participant;
- The Company's articles of association may only be amended by special resolution at a general meeting of the shareholders;
- The Company's articles of association set out how Directors are appointed and replaced. Directors can be appointed by the Board or by the shareholders in a general meeting. At each AGM, any Director appointed by the Board since the last AGM must retire from office but is eligible for election by the shareholders. Furthermore, the Board has resolved that, in line with the Corporate Governance Code (2018 revision), all the Directors will be subject to annual re-election by shareholders. Under the CA 2006 and the Company's articles of association, a Director can be removed from office by the shareholders in a general meeting;
- The Company's articles of association set out the powers of the Directors. The business of the Company is to be managed by the Directors who may exercise all the powers of the Company and do on behalf of the Company all such acts as may be exercised and done by the Company and are not by any relevant statutes or the Company's articles of association required to be exercised or done by the Company in general meeting, subject to the provisions of any relevant statutes and the Company's articles of association and to such regulations as may be prescribed by the Company by special resolution;
- Under the CA 2006 and the Company's articles of association, the Directors' powers include the power to allot and buy back shares in the Company. At each AGM resolutions are proposed granting and setting limits on these powers;
- The Company is not party to any significant agreements which take effect, alter or terminate upon a change in control of the Company, following a takeover bid; and
- There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid. However, provisions in the employee share plans operated by the Company may allow options to be exercised on a takeover.

Significant relationships

The Group does not have any contractual or other relationships with any single party which are essential to the business of the Group and, therefore, no such relationships have been disclosed.

Colleagues

What makes Greggs so special is its culture – the way our people behave and support each other. We want everyone to feel welcome at Greggs and our colleagues to be able to be themselves at work, whatever their background, preferences or views. Where colleagues or prospective colleagues have a disability then discussions will be had with individuals to review any adjustments required and every effort will be made to support them. Greggs is committed to creating a work environment free of discrimination, bullying, harassment and victimisation, where everyone is treated equally with dignity and respect. This applies in all aspects of employment including, recruitment and selection, promotion, transfer, training or other developmental opportunities, pay and benefits, other terms of employment, discipline and selection for redundancy. Our colleague networks, covering LGBTQ+, ethnicity and disability provide valuable insight and feedback and help us to develop training for our colleagues and understand how we can improve the way we do things at Greggs. Details on the contribution of our networks can be found on page 68.



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GOVERNANCE REPORT CONTINUED

Accountability, audit and going concern

The Board acknowledges its responsibility to present a fair, balanced and understandable assessment of the Company's position and prospects. In order to assist the Board to comply with the requirements within the Corporate Governance Code, each year the Audit Committee is requested to undertake an assessment of the annual report and to make a recommendation to the Board. This request has been enshrined within the Audit Committee's terms of reference, which are available at corporate.greggs.co.uk.

The actions undertaken by the Audit Committee in confirming its advice to the Board included the consideration of a detailed review that has been undertaken by the Head of Business Assurance and reviewing the annual report as a whole to confirm that it presents a fair, balanced and understandable assessment. In considering the advice of the Audit Committee, and having reviewed the annual report including the contents of the strategic report on pages 1 to 61, together with the statutory accounts themselves, the Board duly considers the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the necessary information for shareholders to assess the Company's performance, business model and strategy.

A statement of Directors' responsibilities in respect of the preparation of accounts is given on page 101. A statement of auditor's responsibilities is given in the report of the auditor on page 106.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

For this reason, they continue to adopt the going concern basis in preparing the accounts (see basis of preparation on page 114). The Board's viability statement made in accordance with Corporate Governance Code Provision 31 can be found on page 53.

Policies

Freedom of association

At Greggs, we recognise the right of all employees to freedom of association and collective bargaining. Whilst we do not have a formal Freedom of Association policy, the Company encourages all its employees in supply sites, shops and offices to become, and remain, members of a union.

Bribery and corruption

Greggs has an Anti-Bribery and Corruption policy which applies to all employees and prohibits the offering, giving, seeking or acceptance of any bribe in any form to any person or company by acting on its behalf, in order to gain an advantage in an unethical way.

Business conduct

We have a specific policy that sets out the standards of ethical behaviour that are expected of all employees. Graded managers, and all members of the procurement department, are required to make an annual confirmation of their compliance with the policy.

Whistle-blowing

Our 'whistle-blowing' policy creates an environment where employees are able to raise concerns without fear of disciplinary action being taken against them as a result of any disclosure. Any matters raised are treated in confidence and an independent review will be undertaken where it is appropriate. The Chair of the Audit Committee is the designated first point of contact for any concerns which cannot be addressed through normal management processes.

Political donations

Greggs has a clear policy forbidding political donations or contributions. This includes financial and in-kind contributions made by the Company.

Disclosure of information to the auditor

Each of the Directors who held office at the date of approval of this Directors' report confirms that, so far as they are individually aware there is no relevant audit information of which the Company's auditor is unaware and that they have taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board

Jonathan D Jowett

Company Secretary

7 March 2023

Greggs plc (CRN 502851)

Greggs House, Quorum Business Park
Newcastle upon Tyne NE12 8BU



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AUDIT COMMITTEE REPORT

AUDIT COMMITTEE REPORT

Introduction

Dear Shareholder

As Chair of the Audit Committee, I am pleased to present the Committee's report for the 52 weeks ended 31 December 2022.

The Committee plays an important part in the governance of the Company with its principal activities focused on the integrity of financial reporting, quality and effectiveness of internal and external audit, risk management and the system of internal control.

In this report, I aim to share some of the Committee's discussions from the year, providing insight regarding the role of the Committee, the main matters considered by it during the year and the conclusions drawn. The Committee meets formally at key times within the reporting calendar and the agendas for its meetings are designed to cover all significant areas of risk over the course of the year and to provide oversight and challenge to the key financial judgements, controls and processes that operate within the Company.

During 2022 the Committee has:

- Reviewed the performance of RSM as external auditor following their first full audit cycle.
- Overseen the development of our TCFD reporting following our first such report in 2021. The TCFD report is set out on pages 35 to 41.
- Maintained an awareness of cyber security, and reviewed the processes and controls in place across the business.

- Overseen the continuing rollout of our new Enterprise Risk Management (ERM) framework, which was implemented in 2021, ensuring that our approach remains robust and fit for purpose.

The Committee continues to keep its activities under review in the light of the Government's audit and governance reform agenda. The Committee has received regular updates following the publication of the draft Audit Reform Bill during 2022 and ahead of the introduction of the Audit, Reporting and Governance Authority (ARGA) and it is ready to respond to anticipated regulatory changes.

During 2023 the Committee will oversee a risk evolution project, reviewing and refreshing our approach to risk and insurance. This will ensure that we have the appropriate risk financing strategy in place as the business continues to grow. The Committee will be involved in redefining the Company's risk appetite, which is a key early step in the process.

Within the scope of our ongoing review of the approach to risk management, the Committee will be supporting a review and refresh of the Risk Committee's terms of reference.

The Committee will also monitor progress with the development of business continuity planning across the business. This project is being undertaken to strengthen and formalise existing arrangements and improve business resilience.

Overall, I am satisfied that the activities of the Committee enable it to gain a good understanding of the key matters impacting the Company during the year along with oversight of the governance and operation of its key controls, and ultimately to draw the conclusions set out in the following report. I will be available at the AGM to answer any questions about our work.

Kate Ferry

Chair of the Audit Committee
7 March 2023



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AUDIT COMMITTEE REPORT CONTINUED

Composition

The Audit Committee is comprised of the following:

Kate Ferry (Chair)

Helena Ganczakowski

Sandra Turner

Mohamed Elsarky

Lynne Weedall (from 17 May 2022)

It is the practice of the Company for all independent Non-Executive Directors to serve as members of the Audit Committee.

Training is provided for any new members of the Audit Committee by way of a thorough induction process which includes access to the external auditor, the Head of Business Assurance and relevant members of management.

The Committee provides independent and robust challenge to management and our internal and external auditors, ensures there are effective and high-quality controls in place and appropriate judgements are taken, with a particular focus on matters that involve either a high degree of judgement and/or are significant to the accounts.

The Directors' biographies on pages 62 to 64 detail the Committee members' previous experience and demonstrate that they have experience individually in a range of disciplines relevant to Greggs' business. The Board considers that Kate Ferry has recent and relevant financial experience.

Role and responsibilities

The terms of reference of the Committee can be accessed at: <http://corporate.greggs.co.uk/investors/corporate-governance/company-documents>.

The key responsibilities of the Audit Committee are:

- Ensuring that the accounting and financial policies and practices of the Company are proper and effective;
- Assisting the Board in fulfilling its oversight responsibilities by monitoring the integrity of the accounts and information published by the Company and reviewing and challenging significant financial judgements contained in them;
- Advising the Board on whether it believes the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;

- Reviewing the internal financial controls and the Group's approach to risk management;
- Overseeing whistle-blowing arrangements;
- Monitoring compliance with the Listing Rules and the recommendations of the UK Corporate Governance Code;
- Overseeing the Company's internal auditors and reviewing the effectiveness and objectivity of the audit process;
- Overseeing the Company's external auditors, reviewing their independence and objectivity and monitoring the effectiveness of the audit process;
- Developing and implementing policy on the external auditor's provision of non-audit services; and
- Reporting to the Board on how it has discharged its responsibilities.

Meetings during the year

The Audit Committee met four times during the year. Details of Committee members' attendance are given on page 67. All members attended every meeting they were eligible to attend. Detailed papers are prepared and circulated in advance of Committee meetings by both management (including internal audit) and the external auditor, thereby allowing informed discussions, challenge and decision making to take place at meetings.

The Committee normally invites the Company Chair, the Executive Directors, the Head of Business Assurance and the external auditor to attend its meetings. Time is set aside bi-annually for discussion with the external auditor and with the Head of Business Assurance, in each case in the absence of all Executive Directors. The Committee also has access to the Company's management team and to its auditor and can seek further professional advice, at the Company's cost, if required. The Chair has regular contact with the Chief Financial Officer, and internal and external auditors, in addition to scheduled Committee meetings to ensure that emerging issues are addressed. She also has access to an audit partner independent of the partner responsible for the audit.

Financial reporting

In 2022 the Audit Committee reviewed the 2021 annual report, interim results, preliminary results announcement and reports from the external auditor on the outcome of their reviews and audits.

During the year, and up to the date of this report, the Committee considered key accounting issues and judgements and related disclosures in the Group's accounts. The significant areas of judgement considered by the Committee in relation to the accounts for the 52 weeks ended 31 December 2022 are as follows:



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AUDIT COMMITTEE REPORT CONTINUED

Area of focus	Action taken
Accounting for leases Under IFRS 16 lease liabilities, representing the obligation to make lease payments, are recognised on the balance sheet together with corresponding right-of-use assets. In the income statement rent costs are replaced by a straight-line depreciation charge on each right-of-use asset and an interest charge that reduces over the lease term. At the end of 2022 the Group has recognised right-of-use assets of £281.6 million (2021: £263.6 million) and lease liabilities totalling £301.3 million (2021: £283.2 million). Charges to the income statement of £52.8 million (2021: £48.7 million) in respect of depreciation and £6.8 million (2021: £6.3 million) in respect of interest were recognised. The sensitivities of the assumptions on this amount are set out on page 116.	The Committee continues to review and monitor developments in this area to ensure that judgements made are up to date and remain valid and that the approach adopted is still appropriate to the Group's circumstances. The Committee considers that the judgements made are appropriate to the Group's particular circumstances.
Fair, balanced and understandable The Committee is responsible for advising the Board on whether it believes the annual report and accounts, taken as a whole, is fair, balanced and understandable.	The Committee received a report from the Head of Business Assurance who is not involved in the preparation of the annual report and accounts and who conducted an independent review of it. The following factors were considered during the course of this review: <ul style="list-style-type: none">- Ensuring that all the statements are consistent with one another;- Verifying that figures in the narrative sections are consistent with the relevant financial detail;- Identifying any duplication of information;- Confirming that 'bad news' is included, as well as 'good news'; and- Highlighting any inappropriate use of technical language or jargon.
Going concern The accounts continue to be prepared on a going concern basis.	The Audit Committee considered the feedback from this report alongside its own review of the annual report and accounts when making its recommendation to the Board regarding fair, balanced and understandable.
Viability The Board is required to consider the period over which it is able to conclude that the Company will remain viable, having taken into account severe but plausible risks and risk combinations.	Information provided by the Chief Financial Officer regarding future financial plans, risks and liquidity was presented to the Committee to enable it to determine whether the going concern basis of accounting remained appropriate. The Committee reviewed and challenged the assumptions used and concluded that the Board is able to make the going concern statement on page 71 of the Directors' report.
	The Committee reviewed the process undertaken by management to support and allow the Directors to assess the Group's long-term prospects and make its viability statement. The Committee considered and provided input into the determination of which of the Group's principal risks and combinations thereof might have an impact on the Group's liquidity and solvency. The Committee reviewed the results of management's scenario modelling and the stress testing of these models. The Committee reviewed and challenged the assumptions used and concluded that the Board is able to make the viability statement on page 53 of the strategic report.



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AUDIT COMMITTEE REPORT CONTINUED

Last year the following issues were separately disclosed as key areas of judgement in the Audit Committee report but are no longer considered to merit separate disclosure:

- The impairment of property, plant and equipment and right-of-use assets. Following the recovery from the pandemic and associated improvement in trading performance, management no longer considers there to be a global indicator of impairment and have reverted to reviewing the estate for specific indicators of impairment.
- The valuation of defined benefit pension liabilities. In 2021 the Company agreed to a schedule of contributions to the defined benefit pension scheme to address the actuarial deficit at 6 April 2020. This introduced a need to consider the appropriate accounting and whether a net pension surplus should be recognised. The conclusion reached in 2021 is not expected to change from year to year.

The Committee also considered other key accounting issues and related disclosures in the Group's accounts as follows:

- Whether the principles and judgements applied when management assess property, plant and equipment and right-of-use assets for impairment remain appropriate;
- Whether the assumptions made in valuing the defined benefit pension scheme liabilities remain appropriate, including consideration of the discount rate, inflation rates and mortality rates as well as the requirements of IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction;
- Whether there were any material items of income or expense in the year together with the Financial Reporting Council's (FRC's) guidance on the subject;
- Whether any changes in accounting policy were required following changes in the business or in legislation;
- Whether the Company's tax policy remains appropriate;
- The impact of changes in accounting standards and their relevance, if any, to the Company; and
- Reports from the Company Secretary and Chief Financial Officer which assess the Company's compliance with the Listing Rules.

External audit

Assessing external audit effectiveness

The Audit Committee discussed and agreed the scope of the audit with the external auditor and agreed their fees in respect of the audit.

The Committee reviewed the effectiveness of the external audit in line with the FRC's 'Practice aid for audit committees' (December 2019). It sought feedback from senior management, by way of a detailed questionnaire, in respect of the effectiveness of the audit process.

The Committee also considered the effectiveness of the audit through the reporting from and communications with the auditor and an assessment of the auditor's approach to key areas of judgement and any errors identified during the course of the audit.

The Committee concluded that the audit was effective and that the relationship and effectiveness of the external auditor be kept under review.

Appointing the auditor and safeguards on non-audit services

The Committee's policy on auditor appointment is to consider annually whether to conduct an audit tender for audit quality or independence reasons. During 2020 the Audit Committee conducted a full tender exercise for the appointment of a new auditor which resulted in the appointment of RSM UK Audit LLP (RSM) as auditor at the AGM in May 2021.

It is the responsibility of the Committee to monitor the independence and objectivity of the external auditor (including the impact of any non-audit work undertaken by it) and its suitability for reappointment.

The Company has a formal policy to ensure that the provision of non-audit services by the external auditor for non-audit work does not compromise the auditor's independence or objectivity. It monitors the level and type of non-audit fees on an annual basis and ensures that the overall level of non-audit fees remains in line with current ethical guidance governing the accounting profession.

The Audit Committee favours a presumption that non-audit work will be awarded to a firm other than the audit firm unless there is a good reason to use the auditor. An annual base plan for non-audit fees paid to the external auditor is agreed in advance by the Audit Committee. Expenditure in accordance with this plan can then be committed without further referral to the Audit Committee. Expenditure that is not included in the agreed plan is subject to strict authority limits and is reviewed by the Committee.



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AUDIT COMMITTEE REPORT CONTINUED

All use of the external auditor for non-audit work must be reported to and approved by the Committee. In circumstances where non-audit fees are significant relative to the audit fee an explanation would be provided in the subsequent Audit Committee report. In addition, the Audit Committee ensures that the external auditor has its own policies and is subject to professional standards designed to safeguard their independence as auditor.

The Audit Committee has reviewed whether, and is satisfied that, the Company's current auditor, RSM, continues to be objective and independent of the Company. The Committee has approved RSM to provide non-audit services during 2022 in respect of the review of turnover certificates as required by certain shop landlords. Fees of £31,300 were billed during the year for turnover certificate reviews, which represents 11.8% of the audit fee for the year.

Appointment of auditor

In accordance with Section 489 of the Companies Act 2006, a resolution for the reappointment of RSM UK Audit LLP will be proposed at the forthcoming AGM. The length of their tenure as external auditor is two years.

Risk management and internal control

Internal control

The Group has an internal control environment designed to protect the business from the material risks which have been identified. Management is responsible for establishing and maintaining adequate internal controls and the Audit Committee has responsibility for ensuring the effectiveness of these controls. The Committee receives updates from the Business Assurance function on the internal control environment at every meeting, covering both risk management and internal audit perspectives. This regular reporting ensures timely review of any key issues. Whilst the Committee is updated on all internal audit activity, those reports which conclude only limited assurance are considered in greater detail, with a summary provided of key issues identified. This gives Committee members assurance that appropriate actions have been taken or are in progress to implement the audit recommendations.

The Committee considers the matters described above to be the main features of the Group's internal control and risk management systems in relation to the financial reporting process for the undertakings included in the consolidation as a whole. The Committee reviewed the Company's internal control environment and is satisfied that procedures are in place to ensure that assets are well protected, authority levels for expenditure are clear, segregation of duties exists and performance is regularly monitored. Processes are in place to ensure that key controls are being operated and compliance with these processes is the subject of inspection by the Internal Audit team within the Business Assurance function, and subsequent review and oversight by the Audit Committee.

Whistle-blowing

The Company's whistle-blowing policy is available to all employees via the intranet, as well as via posters displayed across the business. This gives information regarding how to raise a concern in strict confidence, and incorporates three escalation levels. Our policy has been subject to an internal audit during 2022, which made a number of recommendations, all of which have been implemented or are in progress. This will ensure that our policy is aligned with best practice and improve our colleagues' awareness.

Our Audit Committee Chair is the final contact and resolution point for this process, and received three calls during the year. All allegations were thoroughly investigated. One colleague was assigned to work in a different shop as a result, but no formal action was taken.

Risk management process

The Audit Committee receives an update on risk management at each of its meetings, and an annual report providing detail on the overall process and key activities during the year. This process ensures that the Committee meets its obligation to oversee the effectiveness of risk management, and allows it to confirm to the Main Board that arrangements are appropriate.

The risk management process is explained in more detail on pages 46 to 52.



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AUDIT COMMITTEE REPORT CONTINUED

The Committee has reviewed the risk management process and is satisfied that appropriate arrangements are in place to ensure that existing risks are properly managed across the business and that processes are in place to identify and consider any new and emerging risks in a timely manner. Key areas subject to specific review by the Committee include the following:

Area of focus	Action taken
Financial reporting	All judgemental areas in the accounts are considered by the Committee, to provide independent challenge to the process.
TCFD	The Committee considered and confirmed the proposed statement regarding TCFD requirements.
Cyber risk and information security	Cyber risk and information security is considered at every Audit Committee meeting, within the Head of Business Assurance's activity update. In particular, there have been regular updates on the Information Security Management System, the implementation of which continues to strengthen our cyber resilience. The Committee is also apprised of future developments including further testing and simulated attacks.
ERM	The Audit Committee has received updates on the progress with the implementation of our ERM model, including how the wider business is being engaged in the process.
New and emerging risks	New and emerging risks are raised and discussed by members of the Risk Committee at each of its meetings.
	Any significant matters are escalated to the Audit Committee for further discussion.
Review of principal risks and uncertainties	The Risk Committee discussed the key risks faced by the business during 2022 and used this to develop the content of the statement of principal risks and uncertainties. This in turn was considered by the Audit Committee after the year end, and approved for inclusion in this report, on pages 49 to 52.
Viability and going concern status	As part of the annual report review, the Committee has considered and agreed the viability statement and the various scenarios modelled within it as part of the assessment. The Company's adoption of a going concern basis for accounts preparation was reviewed at the mid-year, as well as during the consideration of the annual report.
Internal audit function	The Committee has reviewed the work and output of the internal audit function, and concluded as to its effectiveness throughout the year.

Internal audit

The work of the internal audit function is set out in more detail within the risk management section on pages 46 to 52 of this annual report. The team is led by the Head of Business Assurance, supported by 26 auditors, along with the Data Protection Analyst. The majority of the audit resource is dedicated to the retail estate, including our franchise shops, providing the Audit Committee with assurance that the required controls for safe operation within the shops are in place and operating effectively.

The Business Assurance team presents an annual plan to the Audit Committee for approval, setting out how the resource will be allocated across the business. Progress against this plan is monitored at subsequent meetings throughout the year. The effectiveness of the team and its level of resource are reviewed by the Committee on an annual basis, including a consideration of outputs and customer feedback received.

Committee effectiveness

As noted in the governance report on page 68 there was an externally facilitated evaluation of the Board and its Committees during 2021. The evaluation for 2022 was therefore conducted internally using an online tool, which generated a report specifically relating to the Audit Committee. The Committee has considered the results of this evaluation and is satisfied that it is operating effectively.

Kate Ferry

Chair of the Audit Committee
7 March 2023



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DIRECTORS' REMUNERATION REPORT

DIRECTORS' REMUNERATION REPORT

Dear Shareholder

On behalf of the Remuneration Committee (the 'Committee'), I am pleased to present our Directors' remuneration report for 2022. I have taken over the role of Remuneration Committee Chair as of 1 September 2022 and would like to take this opportunity to thank the former Chair, Helena Ganczakowski, for all her contributions whilst in the role. I would also like to thank my colleagues for their engagement and support throughout the year.

The Committee will continue to have a transparent approach to remuneration at Greggs. A key focus continues to be workforce fairness and the pay arrangements and support provided to our colleagues across the business. Our people are what makes our business successful and protecting our culture alongside our shareholders' and wider stakeholders' interests remains our priority. Our report aims to be clear, simple and easy to read, providing explanations and rationale for our decision-making in the context of Company performance, the longer-term Company strategy (including environmental, social and governance (ESG) priorities) and pay arrangements for the wider workforce.

The report is made up of three key sections:

- My annual Chair's letter.
- Our new Directors' **remuneration policy**, which will operate for the three years commencing with the 2023 financial year. This new policy will be tabled at our AGM on 17 May 2023 to be formally agreed by shareholders by way of a binding vote.
- Our **annual remuneration report**, split into sections that set out:

- A. How our policy links to Company strategy and reward across the wider workforce;

- B. Remuneration Committee activity for the 52 weeks ended 31 December 2022;
- C. How Directors' remuneration will be implemented in 2023 in line with our new proposed three-year policy; and
- D. How our remuneration policy was implemented in 2022. This is an audited section of the report outlining the remuneration of the Executive and Non-Executive Directors during the 52 weeks ended 31 December 2022.

The annual remuneration report, together with this Chair's statement, will be subject to an advisory shareholder vote at the 2023 AGM.

Remuneration policy

Our remuneration policy consists of the following elements:

- Fixed pay – base salary, pension and benefits; and
- Variable pay – annual bonus (paid in both cash and deferred shares) and performance share plan (PSP) measuring long-term performance and delivered in shares.

New three-year remuneration policy

During 2022, the Committee undertook an extensive review of our current policy, taking into account the remuneration for the wider workforce, the views of our shareholders as well as the fact that executive remuneration continues to be debated in the public domain. The Committee also assessed the effectiveness of overall levels of remuneration in light of a recent period of change in the Board and was keen to ensure there continued to be a focus on alignment to the long-term business strategy. The Committee fully reviewed emerging market practice, the UK Corporate Governance Code and the best practice expectations of investors and others.

In developing the new policy, the Committee wanted to ensure we continued with a policy that was simple and consistent, with pay outcomes dependent upon performance clearly linked to our business strategy and growth plans. Another key focus for the Committee was the unique Greggs culture and the importance Greggs places on this in respect of wider workforce remuneration. We were also keen to avoid making unnecessary changes to a policy which has generally served us well.

The new policy continues to ensure a significant proportion of pay is delivered in shares to ensure a shared ownership culture is created with the Executive team as well as to provide alignment with investors. Our new policy is now fully in line with the UK Corporate Governance Code with regards to pensions alignment to the wider workforce and post-employment shareholding requirements. We are very comfortable that the new policy continues to ensure that the team running the business is incentivised appropriately whilst allowing a level of flexibility over the coming three years. Accordingly, there are minimal formal changes to our proposed policy for the three years commencing 2023.

The main changes to the policy are outlined below:

Pensions

As noted above, we are bringing the policy fully into line with the UK Corporate Governance Code. In practice, this has already happened as we have agreed that all Executive Directors will have their pension contributions aligned to the majority of the workforce (currently 4% of salary) by 1 January 2023.



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Post-employment shareholding requirement

We are extending the post-employment shareholding requirement to all existing Executive Directors, thus including the Chief Financial Officer within this arrangement. The requirement will not apply to any earlier PSP/deferred bonus shares nor to shares purchased by the Executive Directors from their own resources.

Increase to annual bonus and PSP policy limit

Having reviewed the competitiveness of the current policy and to ensure sufficient flexibility should it be required, we wish to increase the maximum policy limits for the annual bonus and the PSP.

For the annual bonus, we propose extending the policy limit to 150% of salary for all Executive Directors, however for FY2023 the opportunity will remain unchanged from the prior year (125% of salary).

For the PSP, we propose increasing the policy limit from 150% to 200% of salary for the Chief Executive and from 125% to 175% of salary for other Executive Directors. The FY2023 grant will remain unchanged at 150% of salary for the Chief Executive, and for the Chief Financial Officer we wish to preserve the increase from 125% to 150% of salary that was exceptionally awarded in FY2022. The rationale for this is explained further in my letter in the section covering our approach for FY2023.

We are conscious that we are currently below market in terms of the incentive opportunities offered to the Executive Directors and we are keen that the new policy includes suitable flexibility to enable us to increase incentive levels if considered necessary during the policy period, without the need to seek approval for a new policy at the time. We have no current intention to increase award levels above those agreed for FY2023, and in particular we recognise the potential concerns about making such a change against the current economic backdrop. If, over the policy period, we decided to

increase the quantum above FY2023 levels then we would fully consult with investors to provide the specific rationale for our approach and would only proceed if we were comfortable that shareholders were supportive of the approach taken.

In the new policy, PSP performance will continue to be based on long-term KPIs, with a majority weighting on financial measures. This will be sufficiently flexible to allow us to add in additional ESG metrics which are aligned to our strategic plan and The Greggs Pledge. If we were to seek to use the flexibility within the new policy to make higher awards than planned for FY2023, we would of course ensure that the related performance targets were appropriately stretching.

Business performance in 2022 and incentive outcomes

As outlined in the Chair's statement and Chief Executive's review, despite the challenging economy, which has impacted the business and resulted in many of our customers and colleagues being confronted with a cost of living crisis, 2022 has been a year of growth for Greggs. One year into our ambitious five-year plan to double sales, our sales were up 23% on 2021. Despite rising energy costs and food price inflation that has impacted every individual, household and business, we have worked hard to mitigate the impact of external cost pressures and protect our reputation for exceptional value and great quality.

Consideration of the wider workforce

Our continued financial success is thanks to our amazing colleagues. With this in mind, the Committee monitors and reviews the effectiveness of the Directors' remuneration policy and its impact on and alignment with the remuneration policies in the wider workforce. To support decisions on Executive Directors' pay, the Committee is provided with information detailing the pay and benefits of the wider workforce which gives additional context for the Committee to make informed decisions. As well as this, the Committee has engaged with colleagues to explain how remuneration

for Directors aligns with the wider Company pay policy and more recently has outlined the new proposed remuneration policy to a group of colleagues. In November 2022 I met with a group of retail colleagues to introduce myself and the role of the Committee. Separately, in February 2023 I met with a group of colleagues to discuss the new policy and the work of the Committee. Key topics discussed with colleagues included how reward is structured across the business, the link to reward and Greggs sustainability journey, and ensuring reward across our wider workforce continues to support and complement the Greggs culture.

One of the unique aspects of Greggs' remuneration approach is that of profit share – with 10% of all our profits being shared with eligible colleagues. The profit share payment this year will see over 21,800 colleagues benefitting from this additional payment that will be made in March 2023.

Bonus 2022

As disclosed last year, the annual bonus scheme for 2022 was set up with performance targets based on profit (50%), sales (20%) and strategic objectives (30%). We set target ranges which were designed to ensure that bonus payments would only be made for appropriately stretching levels of performance. This included profit targets designed to incentivise growth, sales targets aimed at like-for-like growth as well as driving forward our strategic plans in the areas of evening growth, and a continued focus on ESG with targets based around food waste and food redistribution.

As noted above, despite continued disruption to trading, Greggs performed well in 2022. Significant market disruption in our supply chain, cost pressures and the employment market with significant skill shortages contributed to the broader challenges we experienced both in our own estate and in our supply chain. Despite this the team continued to deliver positive like-for-like sales growth and, as a consequence of this financial performance over the



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DIRECTORS' REMUNERATION REPORT CONTINUED

year, the profit (50%) element of the bonus reached 33.2% payout and sales (20%) reached the maximum 20% payout.

The strategic objectives comprised three separate elements, with 10% based on business efficiency/cost savings, 10% on food waste targets and 10% on evening sales post 4pm.

There was a continued focus on cost control during the year resulting in the business efficiency/cost saving element of the bonus paying 7.8%.

The 10% food waste element was split equally between reducing food waste and increasing food redistribution. These were challenging targets and our teams across the business worked hard to meet them. For our food waste reduction target, our teams achieved the full 17% reduction, resulting in a 5.0% pay out of this element. For food redistribution, again the team achieved the stretch target of 38.3%, resulting in 5.0% of this element of the bonus paying out. These were both tough targets on top of a great result in the previous years and the teams did a tremendous job in hitting both targets in full.

The final 10% of the bonus was based on increasing evening sales with the target to achieve average weekly sales of £2.1 million in the second half of the year. This is a continued area of growth, and the teams across the business worked incredibly hard to maintain focus in this area resulting in 4.4% of this element of the bonus paying out.

The Committee is satisfied that the overall bonus outcome aligns well with the business performance in what were tough trading conditions in 2022. The Committee carefully reviewed management's performance against these targets, taking the full business context and stakeholder experience into account and determined that this level of payout was appropriate with no need to apply discretion. Overall, annual bonuses were paid at a level of 75.4% of the maximum.

For the Chief Executive, this equated to a payment of 88% of her total salary for the year, reflecting a higher bonus opportunity following her appointment to the Chief Executive role in May 2022. For the Chief Financial Officer, his bonus payment was equivalent to 94% of his salary (out of a maximum of 125%). The former Chief Executive was also entitled to a bonus payment relating to the period of the year prior to his retirement at the AGM.

The element of the bonus earned above 50% of the maximum will be paid in shares and will be subject to a two-year holding period.

PSP vesting in 2023

Due to the impact of Covid-19 the PSP awards in 2020 were granted in October of that year. This delay in the normal grant schedule reflected the considerable uncertainty at the time regarding the long-term performance of the business in the context of the unprecedented set of circumstances arising from the pandemic. After extensive consideration, the Committee selected a robust set of performance measures and target ranges designed to complement the recovery strategy and link to the performance outlook for the business as assessed at the time. The three-year performance period for these awards ended on 31 December 2022, although the awards will not vest until October 2023.

The normal financial metrics of earnings per share (EPS) and return on capital employed (ROCE) were retained with an allocation of 25% of the PSP grant attributed to each of these metrics. Targets were set with an intentionally wider range than prior awards recognising the significant variance in likely performance outcomes over the performance period. The remaining 50% of the award was equally split between two strategic initiatives considered essential to help shape the business for the post-pandemic market. The first was related to the implementation of a centralised digital app, with targets based on a significant increase in active user numbers. The second was based on growth of our new

delivery model, with targets set on a sliding scale focused on sales growth.

The threshold and maximum targets were as follows:

Metric	Weighting	How assessed	Threshold target	Maximum target
EPS		EPS achieved in FY2022	18.3p	69.3p
ROCE		ROCE achieved in FY2022	3.4%	12.5%
Digital app		No. of active users	550,000	650,000
New delivery model		Delivery sales as % of company-managed shop sales by FY2022	6%	9%

In the event, FY2022 EPS was at 118.5p, FY2022 ROCE was at 21.0%, Active App digital users in 12 weeks (based on Q4 usage) were at 1.1 million and delivery sales as a percentage of company-managed sales was at 5.5%. This meant that the portion of the awards based on the EPS, ROCE and digital app performance conditions vested in full but the delivery sales target was not met, therefore delivering a 75% total vesting level for this award.

The Committee has reviewed this outcome in the context of wider business performance, the quality of the results and the stakeholder experience, and is very comfortable that vesting is justified at this level with no need to apply discretion to adjust the outcome. The Committee recognises that actual performance exceeded the target ranges very significantly in relation to EPS and ROCE. As noted above these ranges were considered appropriately stretching at the time they were set, when there was considerable uncertainty about the future. Notwithstanding this the actual result represents all-time-high performance and the Committee considers that there would likely have been a full



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vesting outcome for these metrics even if significantly greater stretch had been built in to the targets.

In recognition of the expectation of investors in relation to PSP awards granted in 2020, the Committee also considered whether the vesting outcome reflected a "windfall gain" for participants. The award was granted at a time when the share price was £14.07. Immediately prior to finalising this report, the share price was in the region of £27, and therefore notably higher than the price at the time of grant.

The Committee has considered this matter in detail, taking into account the 75% vesting outcome noted above, and is satisfied that at this stage a windfall gain has not been realised. Among other things, this reflects the fact that the size of the award was scaled back at the time of grant as well as Greggs' significant outperformance of the market. The full rationale for our position is set out on page 95. We will take a final definitive position on this immediately prior to the vesting of the award in October 2023, and confirm the decision in next year's report.

Appointment of new Chair in 2022

Matt Davies was appointed as the new Board Chair during 2022, joining the Board as a Non-Executive Director on 2 August 2022 and stepping up to the Board Chair role on 1 November 2022 upon the retirement of Ian Durant. The Remuneration Committee considered the appropriate Chair fee for Matt Davies, taking into account factors such as his role and responsibilities, the expected time commitment, his extensive experience and also the level of fees payable for Board Chairs of similarly-sized companies. The Committee concluded that a fee of £250,000 was appropriate, applicable from his appointment as Chair on 1 November. This fee will not change for 2023 and will next be reviewed in January 2024.

Approach for 2023

As we move ahead with our strong growth plans we continue to focus on the fundamental strategic pillars of our business model and the four key growth drivers of our plan to reach our potential in the years ahead. In delivering the strategic pillars, the four key growth drivers and The Greggs Pledge, it is vital that there continues to be alignment with our remuneration policy and approach. While continuing to act with restraint in remuneration matters, we believe we have a policy and incentive plans that strike the right balance between achievability and stretch, driving the right decisions for the business, supporting the wider workforce and shareholders, and at the same time motivating and enabling the retention and recruitment of senior talent.

Salaries and fees

The Committee acknowledges that 2022 was a challenging year for both the business and our colleagues due to the continued uncertainty and significant cost pressures being faced in the second half of the year. We have reviewed carefully the approach taken with the wider workforce when considering the approach to salary for the Executive Directors for the year ahead. The 2023 pay award agreed for our wider workforce consisted of a base pay award of 7%, with an additional 3% (10% in total) for a number of our roles and an additional 3.2% (10.2% in total) for our retail team members. On this basis, over 76% of our workforce received a pay increase of 10% or more. For our operational retail colleagues (over 21,500 colleagues) this pay increase was brought forward by three months and therefore implemented from January 2023 (rather than April 2023).

For our graded management population, we implemented a tiered pay award this year. Our management colleagues received the base increase of 7% with our senior managers' pay awards ranging between 5% and 6%.

Subsequently the Committee reviewed the pay award of both the Executive Directors and Operating Board and agreed that the awards should be proportionally lower than the general increases across the wider workforce.

With effect from 1 January 2023, the Committee agreed a salary increase of 4% for the Chief Executive Officer and the Chief Financial Officer, with the same increase being agreed for the Operating Board. A consistent approach was also taken by the Board in relation to the Non-Executive Directors' fees. With regards to the Chair fee this is next due to be reviewed in January 2024.

Annual bonus

The maximum bonus opportunity for Roisin Currie, Chief Executive, and Richard Hutton, Chief Financial Officer, will remain at 125% of salary.

The Committee believes that the current performance measures – profit (50%), sales (20%) and strategic objectives (30%) remain appropriate and no changes are proposed to these weightings. Profit and sales are critically important to Greggs, and are measures which are closely followed by the market as indicators of the financial health of the business. The strategic objectives will continue to comprise three separate elements with 10% based on business efficiency/cost savings, 5% based on evening sales, 5% based on our digital strategy, 5% based on increasing recycled waste and 5% based on food redistribution targets. The use of these measures reflects our desire to incentivise and reward progress on achieving our strategic goals and meeting the commitments set out in The Greggs Pledge.

Targets for these measures have been set in line with the financial plan for the business for the year and the rolling strategic plan and are considered to be stretching. Due to commercial sensitivities they are not disclosed within this report, but will be disclosed retrospectively in next year's report.



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DIRECTORS' REMUNERATION REPORT CONTINUED

PSP

For the FY2023 PSP award, the Chief Executive will receive an award at a level of 150% of salary. For the Chief Financial Officer we will preserve the increase from 125% to 150% of salary that was awarded in FY2022.

The award granted in FY2022 recognised Richard's exceptional contribution, leadership and commitment as Greggs transitioned to a new Chief Executive. Since then, Richard has continued to play a critical role in driving the performance of the business by successfully supporting the Chief Executive and the wider Operating Board. We have concluded that this should be recognised by making 150% of salary his ongoing grant level, which would again align the Chief Financial Officer and Chief Executive for FY2023.

An award at this level is also important for the purposes of retention, as it is consistent with PSP grants at comparable companies and ensures that Richard's long-term incentive is aligned with competitors whilst his salary and bonus potential remain below market. We strongly believe that focusing increased reward on long-term performance is in the interests of Greggs' shareholders, and will mean that Richard only benefits from this change in the event of future multi-year outperformance, building on the strong achievements to date. For any further increases within the new policy limits we would first consult with shareholders.

For the awards in FY2023 the Committee has considered the performance conditions and has agreed three performance measures. We will keep both EPS and ROCE, equally split at 45% of the award. These measures have been used for a number of years and are well understood by participants, by investors and by the wider market as good indicators of long-term financial performance. For FY2023, we will also be introducing an ESG metric with a weighting of 10% of the award. This will be a carbon metric based on the absolute

reduction of our Scope 1 and 2 emissions over the three-year period, reflecting the importance Greggs is placing on the journey to carbon neutrality.

We have set appropriately stretching performance targets for each measure reflecting the strategic plan and business outlook over the performance period. Full details of the targets are set out later in this report.

Pensions

As already outlined, we are bringing the remuneration policy fully into line with the UK Corporate Governance Code. All Executive Directors have had their pension contributions aligned to the majority of the workforce (currently 4% of salary) since 1 January 2023. The Chief Executive's pension was aligned with the workforce on her appointment to the Board in 2022. By moving the Chief Financial Officer on to the wider workforce rate from January 2023, we have effectively accelerated the five-year glidepath to the workforce rate which had previously been agreed.

Shareholder engagement

We continue to welcome feedback from our shareholders as their views inform our thinking on remuneration matters, in particular when evaluating and setting the remuneration policy and its implementation. The Committee is committed to continue consulting with key shareholders and would like to take the opportunity to thank those shareholders with whom we consulted through the year on the development of our new policy for their feedback and guidance.

AGM

We trust that you will find this report transparent, clear and informative. The Committee has remained focused on ensuring that executive remuneration is closely aligned to the delivery of Greggs' business strategy whilst continuing to take account of stakeholder experience, best practice and the wider workforce.

I look forward to receiving your support at this year's AGM with regards to the new remuneration policy and the annual report on remuneration. There will also be a separate AGM resolution amending the PSP rules to provide for the higher individual award limits. If you would like to contact me directly to discuss any aspect of this report then please email me at investorrelations@greggs.co.uk.

Lynne Weedall

Chair of the Remuneration Committee
7 March 2023



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DIRECTORS' REMUNERATION REPORT CONTINUED

Directors' remuneration policy

This section of our report describes our new Directors' remuneration policy, which applies to all Executive and Non-Executive Directors. It explains the purpose and the operation of each element of the remuneration package and explains how Executive Directors are incentivised to achieve sustainable long-term growth and value to best serve the interests of the Company, its shareholders, its colleagues and other stakeholders. Payments to Directors (including payments for loss of office) can only be made if they are consistent with the terms of the approved policy.

The policy has been prepared in line with the relevant legislation for UK companies. It will be presented to shareholders for approval by way of a binding vote at the AGM on 17 May 2023. Subject to shareholder approval, the policy will formally apply from the date of the AGM. Our current intention is that the policy will remain in place for three years. The policy replaces that approved at the AGM in May 2020.

Executive Directors

Element	Purpose and strategy	Operation	Maximum opportunity
Base salary	To attract and retain high-calibre individuals in order to promote the long-term success of the business.	Normally reviewed and set annually in January. Benchmarked periodically by the Committee against the remuneration levels for executives in similar roles in companies of a comparable size. Individual performance and contribution are recognised in setting salary levels. Salaries are paid monthly in cash.	No maximum limit is prescribed. Key reference points for salary increases are market and economic conditions and, in line with our values, the approach to colleague pay throughout the organisation.
Change to policy – We have made a minor amendment to reflect that salaries are normally reviewed and set annually in January. In exceptional circumstances, for example in relation to a change in role, we may need to apply a salary change at a different time in the year. The rationale for any change of this nature would be fully explained in the following year's Directors' remuneration report.			
Benefits	To support a competitive remuneration package in the marketplace.	Benefits include provision of a company car (or cash in lieu), private medical health care, life assurance and permanent health insurance.	No maximum limit is prescribed, particularly as the cost of providing insured benefits fluctuates over time. However, the Committee monitors on an annual basis the overall cost of the benefit provision.
No change to policy			
Pension	To ensure that pension contributions are aligned to the rate applying to the majority of the workforce over time.	Executive Directors can elect to either: – participate in the Company defined contribution pension scheme (up to a cap). Above the cap Executive Directors receive a salary supplement; or – take cash in lieu of this contribution paid as a supplement to their salary on a monthly basis. The Executive Directors are able to make this choice on an annual basis.	The pension contributions rate of all Executive Directors is aligned to the rate applying to the majority of the workforce.
Change to policy – All Executive Directors will have their pension contributions aligned to the rate applying to the majority of the workforce (currently 4%). Previously, this provision only applied to new Executive Directors, with the contribution rate for the former Chief Executive and the Chief Financial Officer reducing gradually to the workforce rate over a number of years. For the Chief Financial Officer, this policy change means his pension contribution has reduced as of 1 January 2023 to the rate applying to the majority of the workforce.			

The new policy was developed by the Remuneration Committee with input from its independent external advisers. A full consultation exercise with major shareholders and the leading proxy agencies was also undertaken, and their views were taken into account before final decisions on the policy were taken. The Committee managed potential conflicts of interest through its normal operating procedures, including ensuring that no individual was present at Committee meetings when his or her specific remuneration was discussed. The Committee's members are all independent Non-Executive Directors (with Ian Durant being in attendance during his period as Board Chair as will be the case with Matt Davies).

The policy for the remuneration of the Executive and Non-Executive Directors is set out in the tables below, with notes explaining the changes from the policy approved in 2020:



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DIRECTORS' REMUNERATION REPORT CONTINUED

Element	Purpose and strategy	Operation	Maximum opportunity
Annual bonus (including profit share)	To incentivise achievement of annual targets and objectives consistent with the short to medium-term strategic needs of the business, so as to encourage sustainable growth in the Company's operating profits.	<p>The bonus will be based on a mix of business key performance indicators (KPIs), with a majority based on financial measures.</p> <p>Targets for each metric are set in advance and in line with business planning objectives set by the Committee.</p>	<p>Capped at 150% of base salary for all Executive Directors.</p> <p>On target performance delivers no more than 50% of the maximum.</p> <p>No more than 25% of the bonus opportunity is payable under each element for threshold performance.</p>
Performance Share Plan (PSP)	To incentivise long-term value creation, retention of our talent and ensure alignment of Executive Directors' and shareholders' interests.	<p>Each Executive Director is entitled to participate in the Company's profit-sharing scheme available to all colleagues. The value of this is then deducted from their annual bonus and is subject to the individual cap.</p> <p>The Committee will use appropriate underpins for any non-profit based element of the annual bonus such that payment under these elements may be scaled back (potentially to zero), at the discretion of the Committee, if the operating profit performance for the year is judged to be running significantly below that required for the achievement of the long-term strategy.</p> <p>The Committee will be able to adjust the formula-driven outcome from any bonus plan if, in the judgement of the Committee, this does not reflect broader Company performance or the shareholder experience, or the payment level is otherwise inappropriate.</p> <p>Any bonus paid in excess of 50% of the maximum will be payable in shares, which (after any sales to pay tax and other statutory deductions) must be held in the Employee Benefit Trust for two years after receipt.</p> <p>The dividends payable on deferred bonus shares are paid to the individual as they fall due.</p> <p>Recovery and withholding provisions allow the Company to recoup annual bonus payments within three years in the event of misstatement of performance, error, misconduct, reputational damage or corporate failure where this has led to an overpayment in the view of the Committee. There is a flexible mechanism which allows the Company to withhold outstanding deferred or future remuneration or recover the overpayment direct from the individual concerned.</p>	<p>200% of base salary for the Chief Executive and 175% of base salary for other Executive Directors (200% of base salary in exceptional circumstances).</p> <p>Threshold vesting at 25% of the maximum.</p>

Change to policy – The current (2020) policy provides for a maximum bonus potential of 125% of salary for Executive Directors other than the Chief Executive (whose limit was 150%). The revised policy increases this policy limit so that 150% of salary now applies to all Executive Directors. This provides for a modest amount of additional flexibility to ensure that the bonus scheme remains appropriately competitive. However, the Committee has agreed that for FY2023 it will operate the annual bonus with the same maximum limits as applied in FY2022, namely 125% of salary for both the Chief Executive and the Chief Financial Officer.

We have clarified in the policy that the bonus will be based on a mix of business KPIs, with a majority based on financial measures. For FY2023 there will be no change from the mix of measures used previously (50% operating profit, 20% sales and 30% strategic objectives).

These changes will ensure we have a suitable level of flexibility to operate the bonus scheme over the next three years although, as noted above, the operation for FY2023 will be broadly unchanged. If we do decide to increase the maximum potential bonus from that applied in FY2023 we will consult with shareholders to explain our rationale for making the change.



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Element	Purpose and strategy	Operation	Maximum opportunity
Changes to policy – The new policy incorporates an increase in award limits from the current 150% and 125% of salary for the Chief Executive and other Executive Directors respectively to 200% and 175% of salary respectively. The award limit in exceptional circumstances will increase from 150% of salary to 200% of salary for Executive Directors other than the Chief Executive (whose standard award limit is now 200%).			
Performance conditions will be based on long-term KPIs, with a majority weighting on financial measures, with targets being set for each metric which reflect the strategic plan and business outlook over the respective performance period. The current (2020) policy was more prescriptive in stating only financial measures.			
The new policy will be sufficiently flexible to allow us to add in ESG or other non-financial metrics which are aligned to our strategic plan and The Greggs Pledge. There would always be a majority weighting towards financial metrics for PSP awards. We have also made a small amendment to state that awards are normally granted annually. This gives a small amount of market standard flexibility to make an award in exceptional circumstances outside of the normal annual cycle, for example in respect of an internal promotion.			
All employee Share Schemes	To encourage colleagues at all levels within the Company to understand better and (SAYE and SIP) so participate in the growth in value of the Company.	No performance conditions have been attached to awards granted pursuant to the Company's SAYE and SIP schemes, which are available for all eligible colleagues.	Executive Directors may participate alongside eligible employees to the extent permitted by HMRC limits.
No change to policy			
Share retention guidelines	To further align the interests of Executive Directors to those of shareholders.	Executive Directors are required to build up a shareholding of 200% of base salary. Where an Executive Director has not reached the required level, 50% of the shares vesting from incentive schemes must be held until this requirement has been met. This is achieved through vested awards granted via the PSP and deferred bonus shares. For all Executive Directors there is a two-year post-employment holding requirement at the lower of the level of the shareholding guideline immediately prior to departure or the actual shareholding at departure.	n/a
Change to policy – The post-employment holding requirement will apply to all Executive Directors at the level of the shareholding guideline prior to departure or the actual shareholding on departure if lower. The previous approach was that a post-employment holding requirement would apply only for new Executive Directors.			
The post-employment holding requirement will not apply to any shares purchased with the individual's own resources, or to shares vesting from awards granted prior to appointment to the Board (in the case of the Chief Executive) or to approval of the new policy (in the case of the Chief Financial Officer).			

Non-Executive Directors

Element	Purpose and strategy	Operation	Maximum opportunity
Non-Executive Chair and Directors' fees			
To attract and retain high-quality and experienced Non-Executive Chair and Directors.			
The Chair is paid an all-encompassing fee. Non-Executive Directors are paid a basic fee and the Chairs of the Main Board Committees and the Senior Independent Director are paid an additional fee to reflect their additional responsibilities. These fees are usually reviewed and set annually. Additional fees may be paid where there is a material increase in the time commitments, responsibilities required of Non-Executive Directors or following a review of market rates. Non-Executive Directors are not eligible for pension scheme membership, bonus or incentive arrangements. They are entitled to reimbursement of reasonable business expenses and tax thereon. They may also receive limited travel or accommodation-related benefits in connection with their role as a Director.			
Change to policy – We have clarified that fees may increase following a review of market rates, in line with standard market practice.			



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DIRECTORS' REMUNERATION REPORT CONTINUED

Choice of performance measures and policy discretion

The remuneration policy provides the Remuneration Committee with the flexibility to choose appropriate performance conditions for the annual bonus scheme and for PSP awards, subject to the constraints set out in the table above. The choice of metrics will depend upon the strategic focus for the Company at the time decisions around the awards are taken. The specific measures and the targets used to assess performance will be disclosed in the Directors' remuneration report on an annual basis. For further information, please see the section 'How our remuneration links to strategy and reward across the wider workforce' on page 89.

The Committee will operate incentive plans in accordance with their respective rules, the Listing Rules and HMRC limits where relevant. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of certain plan rules. These include (but are not limited to) the following:

- Who participates;
- The timing of the grant of award and/or payment;
- The size of an award (up to plan/policy limits) and/or a payment;
- Discretion relating to the measurement of performance in the event of a change of control or reconstruction;
- Determination of a good leaver (in addition to any specified categories) for incentive plan purposes and the treatment of leavers; and
- Adjustments required in certain circumstances (e.g. rights issues, corporate restructuring and special dividends), and the ability to adjust, but not waive, existing performance conditions for exceptional events so that they can still fulfil their original purpose.

Difference in remuneration policy across the Group and consideration of employment conditions elsewhere in the Group

The remuneration policy for the Executive Directors is designed having regard to the policy for employees across the Group as a whole and wider workforce remuneration and related policies. Further information is provided in the section "How our remuneration links to strategy and reward across the wider workforce" on page 89.

Employees were not directly consulted on the terms of the new remuneration policy but the policy was discussed with a representative cross section of colleagues in a session led by the Chair of the Remuneration Committee.

Statement of consideration of shareholder views

When setting the remuneration policy and determining its implementation, the Committee takes into account the views of shareholders, their representative bodies and other interested parties such as proxy advisers. The Committee regularly consults major shareholders on proposed changes to the policy, and did so during 2022 in respect of the new policy. The Committee considered comments received from shareholders before finalising the terms of the policy.

Legacy arrangements

For the avoidance of doubt, in approving this policy, authority is given to the Company to honour any commitments entered into with current or former Directors (such as the payment of a pension or the unwinding of legacy share schemes) that have been disclosed to shareholders in previous remuneration reports. Details of any of these payments to former Directors will be set out in the annual report on remuneration as they arise.

Policy on recruitment remuneration

The Committee will set a new Executive Director's remuneration package in line with the Company's approved policy at the time of appointment. In arriving at a total package and in considering the quantum for each element of that package, the Committee will take into account the skills and experience of the candidate, the market rate for a candidate of that experience as well as the importance of securing the best available candidate.

Annual bonus and PSP awards will not exceed the policy maxima (not including any arrangements to replace forfeited pay). Participation in the annual bonus plan will normally be pro-rated for the year of joining. The Committee may make one-off additional cash and/or share-based awards as it deems appropriate, and if the circumstances so demand, to take account of pay forfeited by an Executive Director on leaving a previous employer. Awards to replace pay forfeited would, where possible, reflect the nature of awards forfeited in terms of delivery mechanism (cash or shares), time horizons, attributed expected value and performance conditions. Other payments may be made in relation to relocation expenses and other incidental expenses as appropriate. Any buyout awards would be made under existing arrangements where possible or as permitted under the Listing Rules.

In the case of an internal appointment, any variable pay element awarded in respect of the prior role would be allowed to payout according to its terms and any other ongoing remuneration obligations existing prior to appointment would continue.

In line with our remuneration policy, all new Executive Directors will have their pension contribution aligned to the rate applying to the majority of the workforce.



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DIRECTORS' REMUNERATION REPORT CONTINUED

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

Service contracts and policy on cessation

Executive Directors' service contracts contain the following remuneration-related aspects:

Provision	Detailed terms
Remuneration	<ul style="list-style-type: none">- Salary, pension and benefits;- Company car or cash allowance;- Private medical health care for the Director;- Permanent health insurance;- Participation in annual bonus and profit share (subject to scheme rules);- Participation in long-term incentive schemes or similar arrangements (subject to scheme rules); and- Life assurance.
Notice period	<ul style="list-style-type: none">- The Chief Executive's service contract is terminable on 12 months' notice served by either the Company or the Director;- The Chief Financial Officer's service contract is terminable on 12 months' notice served by the Company or by six months' notice served by the Director; and- Any future Executive Directors' service contracts will be terminable on up to 12 months' notice served by either party.
Termination payment	<ul style="list-style-type: none">- Payment in lieu of notice equal to any unexpired notice of termination given by either party; and- Payment in lieu shall not include:<ul style="list-style-type: none">- Any bonus payment;- Any payment in respect of benefits which the Director would have been entitled to receive; and- Any payment in respect of any holiday entitlement that would have accrued during the period for which the payment in lieu is made.

Details of the circumstances in which the Committee has the ability to exercise discretion with regards to termination payments are set out below.

Under their service contracts, if notice is served the Executive Directors are entitled to salary, pension contributions and benefits for their notice period save where a payment in lieu is to be made. The Company would seek to ensure that any payment is mitigated by use of phased payments and offset against earnings elsewhere in the event that an Executive Director finds alternative employment during their notice period. There are no contractual provisions in force other than those set out above that impact any termination payment.

Areas where the Committee can exercise discretion with regards to termination payments are set out below:

- Any right to annual bonus in the year of departure would lapse unless the individual is leaving in good leaver circumstances, in which case a bonus may be payable pro-rated for that part of the year worked;
- Deferred bonus shares must normally be retained in trust until the end of their two-year holding period, but may be released early in exceptional circumstances, such as ill-health;
- Any unvested awards held under the PSP will lapse at cessation, unless the individual is leaving in good leaver circumstances (defined under the plan as death, injury, ill-health, disability, redundancy, retirement, their office or employment being with either a company which ceases to be a Group member or relating to a business or part of a business which is transferred to a person who is not a Group member, a change of control or any other reason the Committee so decides). In these circumstances, unvested awards will normally vest at the normal vesting date (other than on death or where the Committee decides they should vest at cessation) subject to performance conditions being met and scaling back in respect of actual service as a proportion of the total vesting period (unless the Committee decides that scaling back is inappropriate). Vested awards will normally be subject to the mandatory two-year holding period although the Committee will have discretion to waive this in exceptional circumstances; and
- The Committee may agree to payment of disbursements such as legal costs and outplacement services if appropriate and depending on the circumstances of cessation.

The table below sets out the details of the Executive Directors' service contracts:

Director	Date of contract
Roisin Currie	1 February 2022
Richard Hutton	7 April 2006

The service contracts are available for inspection during normal business hours at the Company's registered office, and are available for inspection at the AGM.



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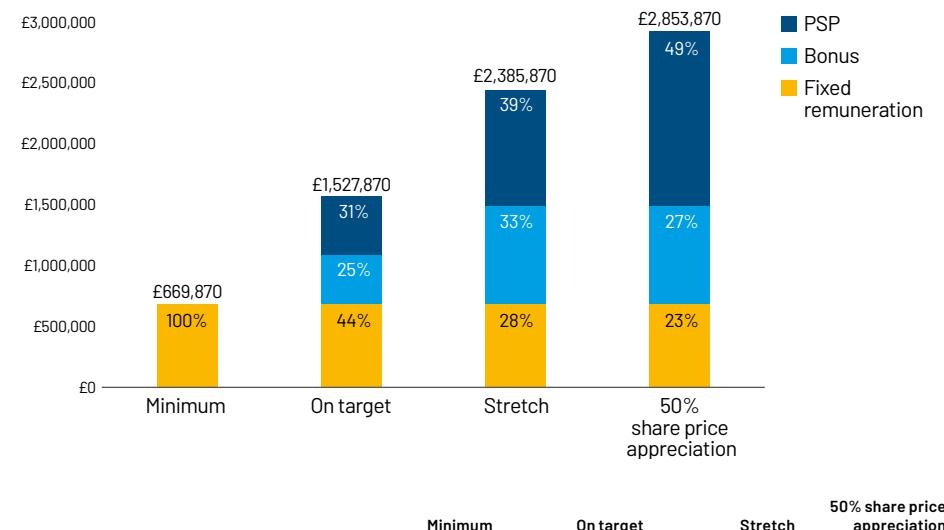
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DIRECTORS' REMUNERATION REPORT CONTINUED

Expected value of the proposed annual remuneration package for Executive Directors

The following charts indicate the level of remuneration payable to Executive Directors in 2023 based on policy at minimum remuneration, remuneration in line with 'on target' Company performance, and the maximum remuneration available.

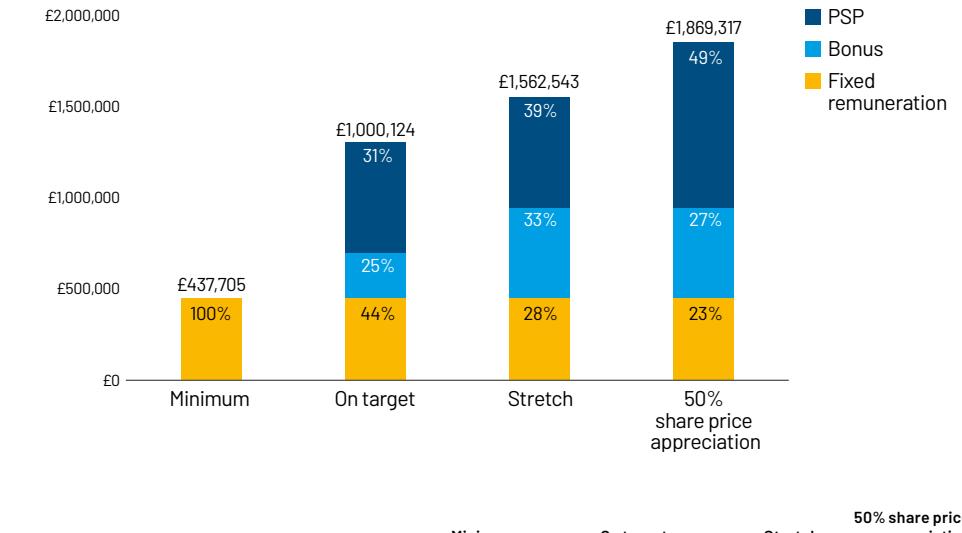
Chief Executive – Roisin Currie



Fixed remuneration:

	Minimum	On target	Stretch	50% share price appreciation
- Salary	£624,000	£624,000	£624,000	£624,000
- Pension	£24,960	£24,960	£24,960	£24,960
- Benefits	£20,910	£20,910	£20,910	£20,910
Bonus	–	£390,000	£780,000	£780,000
Performance Share Plan	–	£468,000	£936,000	£1,404,000
Total	£669,870	£1,527,870	£2,385,870	£2,853,870

Chief Financial Officer – Richard Hutton



Fixed remuneration:

	Minimum	On target	Stretch	50% share price appreciation
- Salary	£409,032	£409,032	£409,032	£409,032
- Pension	£16,361	£16,361	£16,361	£16,361
- Benefits	£12,312	£12,312	£12,312	£12,312
Bonus	–	£255,645	£511,290	£511,290
Performance Share Plan	–	£306,774	£613,548	£920,322
Total	£437,705	£1,000,124	£1,562,543	£1,869,317

Assumptions used in the charts:

Base salary levels as at 1 January 2023.

Pension at the wider workforce rate (currently 4%).

The value of taxable benefits is based on the cost of supplying the benefits at the agreed level.

Bonus

Minimum remuneration – assumes no award is earned under the annual bonus plan.

On target remuneration – the annual bonus plan assumes the target level is reached for each of the elements, resulting in a payout of 50% of the maximum.

Stretch remuneration – assumes satisfaction of all performance conditions for all elements under the annual bonus plan and therefore full payout.

PSP element is calculated as award percentage of base salary multiplied by the relevant vesting percentage. Share price movement and dividend accrual have been excluded, other than in the 50% share price appreciation model.

Minimum remuneration – assumes no vesting is achieved under the PSP.

On target remuneration – assumes 50% vesting is achieved.

Stretch remuneration – assumes 100% vesting is achieved.

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Terms of appointment of Non-Executive Directors

Non-Executive Directors are appointed subject to the Company's articles of association, retiring and seeking election at the first AGM after appointment.

Thereafter, every Director will be subject to annual re-election by shareholders. The Nominations Committee advises the Board as to whether Directors should be nominated for re-election. Non-Executive Directors are not entitled to compensation for early termination of their appointments prior to the date on which they would next be due to offer themselves for election or re-election, or if not re-appointed at such time.

The letters of appointment for the Non-Executive Directors are available for inspection during normal business hours at the Company's registered office, and are available for inspection at the AGM.

The following table shows the effective date of appointment for each Non-Executive Director:

Non-Executive Director	Original date of appointment
Matt Davies	2 August 2022
Helena Ganczakowski	2 January 2014
Sandra Turner	1 May 2014
Kate Ferry	1 June 2019
Mohamed Elsarky	21 June 2021
Lynne Weedall	17 May 2022

Current Non-Executive Directors are appointed on an understanding that the appointment will last for at least six years, but without any commitment by either party.

All new Non-Executive Directors, from June 2019, are appointed for an initial term of three years unless terminated earlier by either party giving to the other party three months' written notice.

A. How our remuneration links to strategy and reward across the wider workforce

Link to strategy

Growth drivers	Strategic pillars and key drivers of growth	The Greggs Pledge
Remuneration at Greggs is intended to incentivise sustainable and profitable business growth. This is reflected in key metrics in the variable pay incentive plans including operating profit, like-for-like sales, cost savings, EPS and ROCE.	Delivery against the four strategic pillars – 'Great tasting, freshly prepared food', 'Best customer experience', 'Competitive supply chain' and 'First-class support teams' – is incentivised as appropriate by strategic metrics in the annual bonus scheme, for example, evening sales and digital targets.	Our commitment to deliver these goals is supported with the inclusion of ESG targets in the incentive schemes, such as food redistribution, recycling and Scope 1 and 2 carbon reduction targets.

Reward across the wider workforce

The remuneration policy for the Executive Directors is designed having regard to the policy for colleagues across the Group as a whole and wider workforce remuneration and related policies. There are differences in salary levels and in the levels of potential reward depending upon seniority and responsibility, although a key reference point for Executive Director salary increases is the average base pay increase across the general workforce. For FY2023, we have implemented a tiered pay award such that smaller salary increases have been agreed for the more senior people within the organisation.

We share 10% of our profits annually with our colleagues across the business, and everyone is eligible to participate in this profit-sharing scheme after six months' service.

Share incentive schemes and bonus participation extends below Board level, with a separate share option scheme in place for senior management colleagues and a bonus scheme for graded management. Both the share option and management bonus schemes are aligned to those of the Executive Directors and are subject to the same performance targets and measures. A higher proportion of the Executive Directors' remuneration package is delivered through performance-related incentive schemes, much of which is in share-based form, which provides a good link to long-term Company performance and the shareholder experience.

All colleagues with one year's service or more may participate in the Sharesave scheme (where colleagues can save to purchase shares at the end of a three-year period at a 20% discount to the price at the date of grant) and in the Share Incentive Plan (SIP) (where colleagues can purchase shares from pre-tax salary subject to HMRC limits). These schemes are generally offered annually.

The pension contributions for our Executive Directors are aligned to the contribution for the majority of our workforce (currently at 4%).



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Compliance with the UK Corporate Governance Code

The Directors' remuneration policy is fully compliant with the relevant factors set out in the UK Corporate Governance Code:

Clarity

We are open and transparent in our approach to remuneration taking into account the experience of our colleagues, shareholders and stakeholders. We regularly engage with stakeholders on remuneration matters.

Simplicity

Our remuneration policy is simple and consistent in its approach. Senior management share option and management bonus schemes are aligned to those of the Executive Directors and are subject to the same performance criteria.

Predictability

Our remuneration policy clearly outlines the details of maximum opportunity levels for each component of pay. Incentive levels vary depending on the level of performance against specific metrics. The typical award levels and potential pay-outs are disclosed in the remuneration policy and it is demonstrated in each year's remuneration report how outcomes are aligned with performance and strategy.

Proportionality, risk and alignment to culture

Pay outcomes are dependent upon performance linked to our business strategy and growth plans as well as taking into account our wider workforce remuneration and specific Greggs culture. This ensures a significant proportion of pay is delivered in shares to provide alignment with investors and incorporates other best practice features in line with the UK Corporate Governance Code and investor guidelines. The use of annual bonus deferral and PSP holding periods provides a clear link to the ongoing performance of the business and therefore alignment with shareholders. The Committee has the discretion to apply malus and clawback in both annual bonus and PSP.

Summary of Committee activity during 2022

Details of some of the activities the Committee has undertaken have been outlined in the Chair's letter as well as being summarised below:

- Developed the new proposed three-year remuneration policy;
- Consulted with shareholders on the new remuneration policy;
- Discussed and agreed the fees for the new Chair;
- Reviewed all colleague remuneration and the 2023 pay award for colleagues;
- Discussed and agreed Directors' and Operating Board salaries for 2023;
- Agreed the challenging targets for the 2022 bonus and PSP and the new ESG metrics to apply to the PSP in 2023;
- Discussed the 2022 bonus outturn and 2020 PSP award vesting in the context of the original performance targets set as well as the wider socio-economic environment and the experience of the wider workforce;
- Approved grants under the PSP to Executive Directors and Operating Board and under the share option scheme to senior managers below Executive Director and Operating Board level;
- Approved the all-colleague SAYE and SIP schemes;
- Reviewed Executive Directors' and Operating Board shareholdings in the Company, in the context of shareholding guidelines; and
- Held a listening group with colleagues to help encourage understanding of the work of the Remuneration Committee and the new remuneration policy.

Structure and content of the remuneration report

The remuneration report has been prepared in accordance with the provisions of the Companies Act 2006 (the 'Act') and The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the 'Regulations'). It also meets the requirements of the UK Listing Authority's Listing Rules.

The Regulations also require our auditor to report to shareholders on the audited information within this remuneration report and to state whether, in their opinion, the relevant sections have been prepared in accordance with the Act and the Regulations. The auditor's opinion is set out on pages 102 to 107 and we have indicated appropriately the audited sections of this remuneration report.

Remuneration advice

The Chief Executive along with Jonathan Jowett (Company Secretary and General Counsel) and Emma Walton (People Director) are normally invited to attend Committee meetings in order to provide advice and support to the Committee. The Chief Financial Officer attends where required. During the year Korn Ferry (who have no connection to the Company or any individual



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Director) provided remuneration advice to the Committee. Korn Ferry were appointed as advisers by the Committee in December 2017 following an informal tender process.

Korn Ferry is a signatory to the Remuneration Consultants' Code of Conduct in relation to executive remuneration consulting in the UK.

The Committee reviewed the operating processes in place at Korn Ferry and is satisfied that the advice it receives is objective and independent. Fees paid to Korn Ferry during the year were £54,555. Korn Ferry did not provide any other services to the Company during 2022.

AGM voting outcomes

The Directors' remuneration report was the subject of an advisory vote at the 2022 AGM and the results are outlined below.

Approve the remuneration report		
	Total number of votes	% of votes cast
For	62,513,876	85.65%
Against	10,474,846	14.35%
Total votes cast (excluding votes withheld)	72,988,722	100.00%
Votes withheld	52,038	
Total votes cast (including votes withheld)	73,040,760	

Shareholders were asked to approve the remuneration policy at the 2020 AGM and the results are outlined below:

Approve the remuneration policy		
	Total number of votes	% of votes cast
For	66,782,219	95.71%
Against	2,990,047	4.29%
Total votes cast (excluding votes withheld)	69,772,266	100.00%
Votes withheld	4,777,374	
Total votes cast (including votes withheld)	74,549,640	

C. How our remuneration policy will be implemented in 2023 – Executive Directors

The section below summarises the implementation of our remuneration policy for 2023.

Base salary 2023

The annual base salaries for the Executive Directors were reviewed with effect from 1 January 2023; increases and current salaries are outlined below:

Director	Salary 1 January 2022	Salary 1 January 2023	% increase
Roisin Currie (Chief Executive)	£600,000*	£624,000	4.0%
Richard Hutton (Chief Financial Officer)	£393,300	£409,032	4.0%

* Salary at date of appointment as Chief Executive

With over 76% of the workforce receiving a pay increase of 10% or more for 2023, and a further 23% receiving 7%, the Committee is comfortable the increase for the Executive Directors is appropriate, being proportionally lower than the wider workforce while ensuring that pay for the Executive Directors does not fall materially behind mid-market levels.

Pension contribution 2023

As per our new proposed remuneration policy, contributions for both Executive Directors will be aligned to the pension contribution for the majority of the workforce (currently 4%) as of 1 January 2023.

The pension contribution rates for 2023 (all of which are cash in lieu) are:

Roisin Currie	4.0%
Richard Hutton	4.0%

Annual bonus 2023

The annual bonus opportunity for 2023 is outlined below:

Chief Executive	Maximum opportunity of 125% of base salary. Bonus in excess of 50% of maximum will be payable in shares deferred for two years.
Chief Financial Officer	Maximum opportunity of 125% of base salary. Bonus in excess of 50% of maximum will be payable in shares deferred for two years.

The annual bonus is based on performance against a range of financial and strategic performance measures. This range of metrics measures achievement of the Company's key operational objectives. The Committee reviews the KPIs each year and varies them as



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appropriate to reflect the priorities for the business in the year ahead. Where appropriate a sliding scale of targets is set for each KPI to encourage continuous improvement or sustained high performance, with a maximum of 10% bonus paid out for threshold performance for the profit and sales elements.

Targets are normally set at the start of the year by the Committee using the outturn and performance in the previous year, as well as the business plan, to determine appropriately stretching sliding scales. Bonus targets for the forthcoming year are considered to be commercially sensitive. Retrospective disclosure of the targets and performance against them will be made in next year's annual report on remuneration.

The bonus metrics are:

Measure	Profit	Sales	Strategic objectives
Weighting	50% of total	20% of total	30% of total
Detail and link to strategy	Reflects the profit of the Group (excluding exceptional items) before tax. This will be based on meeting and exceeding budget for the year.	Based on company-managed shop like-for-like sales excluding any additional shops opened during the bonus year.	Outlined below.

The strategic objectives for each bonus cycle are based on measures which will provide a strong link to strategy and our four key growth drivers as well as recognising our responsibility and commitments in The Greggs Pledge.

For the 2023 bonus there will be four strategic objectives. They are:

- 10% based on business efficiency/cost savings;
- 5% based on growth in evening sales;
- 10% based on an element of The Greggs Pledge and sustainability:
 - 5% Increase in food redistribution; and
 - 5% increase in waste recycled;
- 5% based on digital metrics linked to the Greggs app.

Following a review of performance by the Committee, any payment under the non-profit-based element of the bonus may be scaled back (potentially to zero) at the discretion of the Committee, in the event that the profit performance for the year is judged to be running significantly below that required for the achievement of the long-term strategy.

PSP award 2023

PSP awards will be granted as follows:

Chief Executive	150% of base salary
Chief Financial Officer	150% of base salary

For the Chief Financial Officer, we will preserve the increase from 125% to 150% of salary that was awarded exceptionally in FY2022. The award granted in FY2022 recognised Richard's exceptional contribution, leadership and commitment as Greggs transitioned to a new Chief Executive. Since then, Richard has continued to play a critical role in driving the performance of the business by successfully supporting the Chief Executive and the wider Operating Board. We have concluded that this should be recognised by making 150% of salary his ongoing grant level, which would again align the Chief Financial Officer and Chief Executive for FY2023.

The PSP awards for the Executive Directors are normally granted in the period following the announcement of the financial results for the prior year. However, as we are in a new policy year, this year the awards will be granted on the day after the AGM, subject to the remuneration policy being approved.

For the awards in FY2023 we will have three performance measures. We will keep both EPS and ROCE, equally split at 45% of the award, and we will be introducing an ESG metric with a weighting of 10% of the award. This will be a carbon metric based on the reduction of our Scope 1 and 2 emissions over the three-year period.

These measures provide a rounded assessment of our overall profitability against stretching targets set in line with the strategic plan and business outlook over the performance period as well as a strategic link to our Greggs Pledge targets.

For the 2023 awards the target ranges will be as follows:

- The EPS performance condition will require average annual growth in EPS over the performance period to be between 4% and 9%;
- The ROCE condition will require average ROCE over the performance period to be between 18.7% to 21.2%; and
- The carbon metric will require a reduction in absolute CO₂ emissions (on a 2022 end of year baseline) over the performance period in line with our Net Zero target:
 - 25% of this part of the award will vest if absolute CO₂e emissions are maintained at 2022 levels despite business growth; and
 - 100% of this part of the award will vest if absolute emissions are reduced in line with our 2035 Net Zero target for Scope 1 and 2 (35,371 tCO₂e).



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Our EPS growth range has been set from a high 2022 EPS base and, in the context of continued market uncertainty, the stretch element of this range would represent outstanding performance. The business continues to deliver very strong ROCE performance within the retail sector and with ambitious plans to grow the business this range targets continued strong returns on capital employed.

For all three performance measures, 25% of an award will vest on achieving threshold performance and thereafter straight-line sliding scales will apply until stretch performance is achieved.

A holding period is attached to vested PSP awards, requiring the vested shares to be held (net of tax and other deductions) for a further two years.

How our remuneration policy will be implemented in 2023 – Non-Executive Directors

In order to ensure that no Director is involved in deciding their own remuneration, the fees payable to Non-Executive Directors are set, after consultation with the Chair, by a Committee of the Board consisting only of the Executive Directors. The fees payable to the Chair are set by the Remuneration Committee.

The Non-Executive Directors are paid an annual base fee and additional responsibility fees for the role of Senior Independent Director (SID) or for chairing a Board Committee.

These fees are usually reviewed and set annually. The fees were increased by 4% on 1 January 2023 in line with the base salary increase agreed for Executive Directors.

The fee for the Chair was agreed at the time of his appointment in 2022 and is next due to be reviewed on 1 January 2024.

Details of the fees being paid to Non-Executive Directors in 2023 are set out below:

Name	Position	Base fee from 1 January 2023	Annual additional fee from 1 January 2023	Total fee 2023
Matt Davies	Board Chair	250,000	–	£250,000
Kate Ferry	Chair of the Audit Committee	£54,735	£12,480	£67,215
Helena Ganczakowski	Non-Executive Director	£54,735	–	£54,735
Sandra Turner	Non-Executive Director & SID	£54,735	£12,480	£67,215
Mohamed Elsarky	Non-Executive Director	£54,735	–	£54,735
Lynne Weedall	Chair of the Remuneration Committee	£54,735	£12,480	£67,215

These fees may be subject to change during the year based on any change in responsibility or time commitment or to ensure they remain in line with the current market rates.

D. How our remuneration policy was implemented in 2022

Total Executive Director remuneration payable for 2022 (audited)

The following table presents the remuneration payable for 2022 (showing the equivalent figures for 2021) for the Executive Directors.

	Salary £	Pension contribution (including salary in lieu) £	Taxable benefits ³ £	Total fixed remuneration £	Annual incentives (including profit share) £	Performance Share Plan £	Total variable remuneration £	Total remuneration £
Roisin Currie								
2022 ⁴	490,909	18,453	17,902	527,264	440,832	247,206	688,038	1,215,302
Roger Whiteside								
2022 ⁵	215,900	32,601	4,621	253,122	203,486	556,057 ⁶	759,543	1,012,665
2021	575,209	108,139	12,644	695,992	716,854	426,833 ²	1,143,687	1,839,679
Richard Hutton								
2022	393,300	38,046	12,105	443,451	370,685	370,744	741,429	1,184,880
2021	380,000	44,387	9,500	433,887	378,860	201,432 ²	580,292	1,014,179

¹ The value of the PSP award for 2022, due to vest on 9 October 2023, is based on the level of vesting (75.0%) and the average share price over the final three months of the financial year of £21.47. The amount attributable to share price appreciation is £85,204 for Roisin Currie, £191,654 for Roger Whiteside and £127,783 for Richard Hutton. This figure will be true up in the 2023 report to reflect the share price at the vesting date. Roisin Currie's award was granted prior to her appointment as a Director and for the majority of the performance period she did not serve on the Board

² For the 2021 PSP award the value last year was based on the average share price over the three months prior to the year end of £30.78. The value has now been updated for the actual price on vesting on 11 April 2022 of £24.02, together with the updated total remuneration figures. The values were reduced by £120,189 for Roger Whiteside and £56,689 for Richard Hutton

³ Taxable benefits relate to cash-in-lieu of a company car, private medical health care and travel expenses paid

⁴ Roisin Currie was appointed to the Board on 1 February 2022

⁵ Roger Whiteside retired from the Board on 17 May 2022 and his remuneration is included up to that date

⁶ Vesting pro-rated to reflect the proportion of the vesting period Roger Whiteside was employed

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Fees for Non-Executive Directors (audited)

The fees for Non-Executive Directors were as follows:

	2022	2021
Matt Davies ¹	£41,667	-
Ian Durant ²	£171,046	£198,315
Helena Ganczakowski ⁵	£60,261	£61,020
Sandra Turner	£63,603	£58,478
Kate Ferry	£64,261	£61,020
Mohamed Elsarky ³	£52,630	£26,966
Lynne Weedall ⁴	£36,823	-

1 Matt Davies joined the Board on 2 August 2022

2 Ian Durant retired from the Board on 30 November 2022

3 Mohamed Elsarky joined the Board on 1 June 2021

4 Lynne Weedall joined the Board on 17 May 2022 and took on the role of Remuneration Committee Chair as of 1 September 2022

5 Helena Ganczakowski stepped down as Chair of the Remuneration Committee as of 31 August 2022

Annual bonus 2022 (audited)

The table below outlines the bonus performance conditions in respect of the 2022 bonus scheme.

Measure	Strategic objective	Weighting	Entry	Target	Stretch	Actual	%
Profit (£)	To deliver target profit before tax(excluding exceptional items and property profits)	50%	£139.0m	£146.0m	£153.0m	£148.3m	33.2%
Sales(%)	Two-year like-for-like sales performance	20%	12.2%	14.2%	16.2%	17.8%	20.0%
Strategic (£)	Cost savings	10%	£3.0m	£5.0m	£7.0m	£6.12m	7.8%
Strategic (£m/week)	Evening sales	10%	£1.9m	£2.1m	£2.3m	2.07%	4.4%
Strategic	Reduce food waste ¹	5%	0.25%		0.23%	0.23%	5.0%
Strategic	Increase unsold food redistribution*	5%	31.5%	34.8%	38.0%	38.3%	5.0%
Total weighting based on balanced scorecard				100%			75.4%

1 Further details on these strategic targets are set out below

Reduction in food waste from manufacture (5%)

Metric			Maximum 5%
Decrease food waste by percentage of total sales ahead of the 2021 year end actual(0.28% total sales)	10% decrease in food waste as a percentage of total sales(decrease to 0.25%)	sliding scale to...	17% decrease in food waste as a percentage of total sales(decrease to 0.23%)

Increase food redistribution (5%)

Metric		Maximum 5%
Distribute an increased percentage of unsold food ahead of the 2021 end of year actual of 28.5%	10% increase in amount of unsold food redistributed year-on-year(increase to 31.5%)	sliding scale to... 33% increase in amount of unsold food redistributed year-on-year(increase to 38.0%)

Bonus achieved for 2022

	As % of maximum
Roisin Currie	75.4%
Roger Whiteside ¹	75.4%
Richard Hutton	75.4%

1 Roger Whiteside's bonus was pro-rated for the period of active service up to 17 May 2022

In line with the remuneration policy, the proportion of the bonus in excess of 50% of the maximum (pro rata) will be payable in shares, deferred for two years.

Details of the shares awarded in 2022 for the 2021 bonus year are outlined below. These were awarded on 25 March 2022 and will be released on 25 March 2024.

	Number of shares awarded
Roger Whiteside	7,823
Richard Hutton	4,134



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Performance Share Plan award for performance in 2020 to 2022 (audited)

The PSP award granted in 2020 measured four performance targets to be delivered by the end of 2022. The performance targets that were set, together with the performance delivered, are set out in the table below.

Metric	Condition	Threshold target	Stretch target	Actual	% vesting
EPS(25%)	Absolute EPS achieved in 2022	18.3p (6.25% vesting)	69.3p (25% vesting)	118.5p	25.0%
ROCE(50%)	Absolute ROCE achieved in 2022	3.4% (6.25% vesting)	12.5% (25% vesting)	21.0%	25.0%
Active Digital App users	Number of active users at the end of 2022	550,000 (6.25% vesting)	650,000 (25%)	1.1 million	25.0%
Delivery sales	Delivery sales as a percentage of company-managed shop sales by end 2022	6% (6.25% vesting)	9% (25% vesting)	5.5%	0%
Total vesting					75.0%

The Committee considered the vesting outcome in the context of overall Company performance, the shareholder experience and the wider stakeholder experience over the performance period. The Committee was satisfied that the vesting outcome was an appropriate reflection of wider business performance and the experience of all stakeholders (including shareholders). Accordingly, the Committee did not exercise any discretion to reduce the level of vesting.

The Committee also considered whether the value received from the PSP award represented a windfall gain for the Executive Directors. At the time of writing, the Committee has concluded that no windfall gain is expected to be realised, for the following reasons:

- The Committee made the prudent decision to delay the grant of the 2020 award, taking into account the major impact on the business of the Covid-19 outbreak and subsequent lockdown. There was no view that the Committee should 'push ahead' with normal awards. The Committee's decision to postpone the grant was communicated to major shareholders in a letter in April 2020, and investor support was received for this decision. No investor raised concerns with this approach ahead of the AGM in May 2020.
- Later in 2020, the Committee decided to proceed with the award, with performance metrics (outlined above) linked to the recovery strategy that had been agreed for the business. While there remained significant uncertainty about the precise shape of the post-pandemic recovery, it was viewed as critical to put in place an incentive which would help drive performance after a very difficult period. The Committee wrote to major shareholders in September 2020 explaining the terms of the proposal, and once again the investor response was broadly positive.

- The Committee recognised that at the time of grant there was still weakness in the share price. As a result, for the Executive Directors the award size was set at 115% of salary for the then Chief Executive and 95% of salary for the Chief Financial Officer, representing a scale back from the original intention (previously communicated to shareholders) to grant at 150% of salary and 110% of salary respectively. The reduction of the award size at grant was viewed as a proportionate response to the share price situation at the time, thus resulting in a smaller number of shares being granted than if the originally signalled grant levels had been maintained.
- It is true that Greggs benefited from post-grant positive market sentiment linked to the development of Covid-19 vaccines; however, it took some months for the price to recover to the level seen before the initial impact of Covid-19. The high in February 2020 of £24.42 was not achieved again until May 2021, illustrating the lack of an immediate post-grant rebound.
- The Committee believes that the very strong level of share price growth throughout 2021 can be more fairly attributed to Company outperformance than simply a rise in line with the market. Share price growth from the grant date in October 2020 to the end of December 2021 was an impressive 137%, which compares with 30% for the FTSE 250 and 44% for the Food Retailers and Wholesalers Sector average.
- 2022 saw the share price fall from the record highs recorded in December 2021 given the impact of inflation and cost pressures. Although there has been some recent recovery, the current price of c. £27 is still well below the end-2021 high of £34.
- The Committee concluded that share price progression since the October 2020 PSP grant date is not one of simple market-driven growth but reflects a strong level of performance by Greggs, the impact of wider challenges and then a partial recovery.

In addition to the points above, the Committee reflected on matters such as the size of the reduced 2020 grants relative to market practice at the time for FTSE 250 companies, the current value of the vested awards (which, although significant, are not considered excessive given what has been achieved over the performance period), the responsible approach taken by Greggs in the immediate aftermath of the pandemic outbreak and the continued and ongoing support provided by the business to its wider employee base (both in terms of the help provided during the pandemic and more recently in the light of cost-of-living challenges).

These awards will vest on 9 October 2023, prior to which the Committee will reassess whether there has been any windfall gain.



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DIRECTORS' REMUNERATION REPORT CONTINUED

Options granted under the all-colleague SAYE scheme are not subject to performance conditions. All PSP options are subject to performance conditions as detailed elsewhere in this report.

The mid-market price of ordinary shares in the Company as at 31 December 2022 was £23.46. The highest and lowest mid-market prices of ordinary shares during the financial year were £33.72 and £16.73, respectively.

Legacy defined benefit pension scheme (audited)

The following table sets out the change in each Director's accrued pension in the Company's defined benefit pension scheme during the year and their accrued benefits in the scheme at the year end:

Executive Director	Date of birth	Date service commenced	Accrued annual pension entitlement as at 2 January 2022 £	Accrued annual pension entitlement as at 31 December 2022 £	Increase in accrued pension entitlement for the year £	Increase in accrued pension entitlement for the year net of inflation of 1.338% £	Transfer value of increase in accrued pension entitlement for the year £
Richard Hutton	3/6/68	1/1/98	18,522	24,782	-	-	-

Notes:

- 1 The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the year, but excluding any statutory increases which would be due after the year end
- 2 The inflation rate of 1.338% shown in the table above is that published by the Secretary of State for Work and Pensions in accordance with Schedule 3 of the Pensions Schemes Act 1993

	Cash equivalent transfer value as at 2 January 2021 £	Cash equivalent transfer value as at 1 January 2022 £	Increase in the cash equivalent transfer value since 3 January 2021 £
Richard Hutton	443,334	392,930	-

Note:

Cash equivalent transfer values have been calculated in accordance with Actuaries Guidance Note GN11 and the increase is stated net of contributions made by the Director. The transfer values disclosed above do not represent a sum paid or payable to the individual Director. Instead they represent a potential liability of the pension scheme.

The main features of the defined benefit pension scheme are:

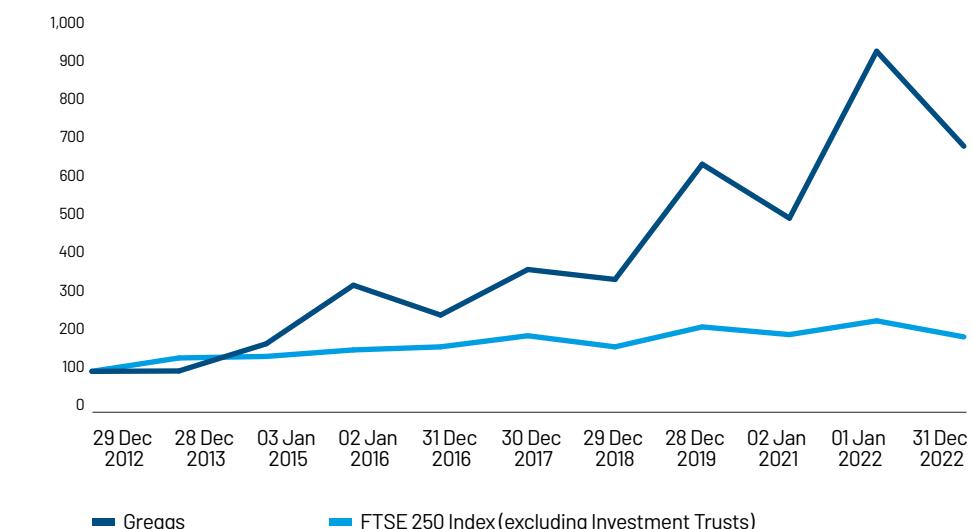
- Pension at normal retirement age of 1/60th of member's final pensionable salary for each complete year and a proportionate amount for each additional complete month of service from the date of joining the scheme until 5 April 2008 when the scheme was closed to future accrual;
- Choice of giving up part of the pension in exchange for a tax-free cash sum subject to a limit of 25% of the total value of the member's benefits under the scheme;
- Pension payable in the event of ill health;
- Spouse's pension on death; and
- Normal retirement at age 65.

Chief Executive pay compared to performance

The graph below shows a comparison of the total shareholder return for the Company's shares for each of the last ten financial years against the total shareholder return for the companies comprised in the FTSE 250 Index(excluding Investment Trusts).

This index has been chosen for this comparison because it includes companies of broadly similar size to the Company.

Total Shareholder Return (£)



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Remuneration outcomes for Chief Executive over last ten years

The table below shows the total remuneration figure for the Chief Executive over the same ten-year period as the graph above. The total remuneration figure includes the annual bonus, pension and PSP/option awards which vested based on performance in those years.

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022 Roger Whiteside	2022 Roisin Currie*
Total remuneration	£1,011,381	£1,238,248	£2,473,695	£2,147,229	£1,689,265	£1,737,953	£2,540,966	£649,319	£1,839,679	£1,012,665	£1,002,242
Bonus (% of max potential)	20.0%	100.0%	93.7%	86.7%	64.3%	59.2%	97.7%	0.0%	99.7%	75.4%	75.4%
PSP/options (% max potential)	n/a	n/a	100%	100%	100%	80.2%	100%	0.0%	50%	75%	75%

* Reflects pay in the Chief Executive role during 2022

Directors' shareholding and share interests (audited)

Details of the shareholdings of each Executive Director and their connected persons as at 31 December 2022 and their interests in shares are detailed below with the percentage holding calculated using the share price at that date. As stated in the Directors' remuneration policy, Executive Directors are required to build a shareholding equivalent in value to 200% of basic salary.

Director	Beneficially owned at 31 December 2022	Beneficially owned at 1 January 2022	Outstanding PSP awards (nil cost options)	Outstanding Restricted stock options	Vested PSP awards not exercised	Outstanding SAYE awards	shareholding achieved at 31 December 2022 %
Roger Whiteside	96,500 ²	88,661	84,203	-	-	163	n/a
Roisin Currie	3,431	3,188 ¹	61,034	5,687 ⁶	5,902	254	25.6% ⁷
Richard Hutton	106,934	98,391	67,547	-	-	254	637.9%
Ian Durant	11,700 ³	11,700	-	-	-	-	n/a
Helena Ganczakowski	1,100	1,100	-	-	-	-	n/a
Sandra Turner	1,000	1,000	-	-	-	-	n/a
Kate Ferry	562	562	-	-	-	-	n/a
Mohamed Elsarky	-	-	-	-	-	-	n/a
Lynne Weedall	1,000	1,000 ⁴	-	-	-	-	n/a
Matt Davies	2,000	2,000 ⁵	-	-	-	-	n/a

1 As at date of appointment (1 February 2022)

2 Roger Whiteside retired from the Board on 17 May 2022 and the shareholdings in the table above reflect the position on that date

3 Ian Durant retired from the Board on 30 November 2022 and the shareholdings in the table above reflect the position on that date

4 At date of appointment (17 May 2022)

5 At date of appointment (2 August 2022)

6 The restricted stock options were granted in April 2021 prior to Roisin Currie's appointment to the Board and as CEO Designate. The award vests in April 2024 subject to continued employment and is in line with similar awards granted to other members of the Operating Board at the time

7 Percentage shareholding is calculated taking into account the value of beneficially owned shares and the net of tax value of vested PSP awards not exercised

There have been no changes since 31 December 2022 in the Directors' interests noted above. Further details of outstanding share awards are given on page 96.

Payments for loss of office or payments to past Directors (audited)

Roger Whiteside stepped down as Chief Executive and from the Board on 17 May 2022. Prior to this date, he received his salary, pension and benefits as normal, as disclosed in the single total figure table on page 93. During the balance of his notice period (which ended on 5 January 2023), he received monthly payments of his salary, pension and benefits, totalling £360,295, £54,405 and £7,712 respectively. During this period he was also available to the new Chief Executive to support her transition into role.

The Remuneration Committee and the Board agreed to treat Roger as a good leaver. He was entitled to receive an annual bonus for 2022 for the period worked up to 17 May, with his bonus payment pro-rated to cover this period only. The bonus payment received in respect of this period is disclosed on page 93.

His outstanding PSP awards will continue to vest at the normal time and be subject to the satisfaction of the agreed performance targets. The awards granted in 2020 and 2021 will be pro-rated to reflect the proportion of the vesting period completed at the time employment ceased at the end of the notice period. The vesting outcome of the award granted in 2020 is shown on page 95.

External directorships

Executive Directors may take up one Non-Executive Directorship outside of the Company subject to the Board's approval and provided that such an appointment is not likely to lead to a conflict of interest. It is recognised that this can support a Director's development and enhance experience as well as benefit the Company. Executive Directors will be entitled to retain the fees of such an appointment.



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DIRECTORS' REMUNERATION REPORT CONTINUED

Relative importance of spend on pay

The Committee is aware of the importance of pay across the business and the table below shows the expenditure and percentage change in the overall spend on all colleague costs compared to other key financial indicators.

	2022 £m	2021 £m	% increase/ (decrease)
All colleague costs	502.7	429.3	17.1%
Dividends	98.5	15.3	544%

Percentage change in remuneration of all Directors

The table below sets out the percentage change in remuneration for all Directors (Executive and Non-Executive) compared to the wider workforce.

	2022			2021			2020		
	Salary % change	Benefits % change	Bonus % change	Salary % change	Benefits % change	Bonus % change	Salary ¹ % change	Benefits % change	Bonus % change
Roisin Currie	n/a ²	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Roger Whiteside	0.0% ⁴	(2.6%)	(24.4%)	10.9%	(11.0%)	100.0%	(8.3%)	(39.2%)	(100.0%)
Richard Hutton	3.5%	27.4%	(2.2%)	21.6%	(9.0%)	100.0%	(3.3%)	(13.6%)	(100.0%)
Ian Durant	3.5%	n/a	n/a	10.9%	n/a	n/a	(2.8%)	n/a	n/a
Matt Davies	n/a ²	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Helena Ganczakowski	(1.25%) ³	n/a	n/a	18.3% ³	n/a	n/a	7.5% ³	n/a	n/a
Sandra Turner	8.8%	n/a	n/a	9.2%	n/a	n/a	(5.0%)	n/a	n/a
Kate Ferry	5.3%	n/a	n/a	10.9%	n/a	n/a	(8.3%)	n/a	n/a
Lynne Weedall	n/a ²	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Mohamed Elsarky	3.5%	n/a	n/a	n/a ⁵	n/a	n/a	n/a	n/a	n/a
All colleagues	5.8% ⁶	(15.8%)	(24.3%) ⁷	1.9%	(1.2%)	100%	4.1%	3.2%	(100%)

1 For the period of 1 April 2020 to 31 August 2020 the salaries of the Executive Directors and Non-Executive Directors were voluntarily reduced by 20%

2 Roisin Currie, Matt Davies and Lynne Weedall were appointed during 2022 and therefore no annual change is shown

3 Helena Ganczakowski was appointed Chair of the Remuneration Committee during 2020 and stepped down during 2022. Therefore she received an additional payment for this role for part of these years

4 In order to provide a meaningful comparison where a Director was appointed or retired during the year, the percentage change figures have been calculated on a full-year equivalent value

5 Mohamed Elsarky was appointed during 2021 and therefore no annual change is shown

6 For the purpose of salary the wider workforce is defined as all colleagues

7 For the purpose of bonus the wider workforce is defined as management colleagues who are entitled to receive a bonus



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DIRECTORS' REMUNERATION REPORT CONTINUED

Chief Executive pay ratio reporting

Outlined below is the ratio of the Chief Executive's single figure of total remuneration for 2022 expressed as a multiple of total remuneration for UK colleagues.

The three ratios referenced below are calculated by reference to the colleagues at the 25th, 50th and 75th percentile. We additionally disclose the total pay and benefits and base salary of the colleagues used to calculate the ratios.

In time, the table below will build to represent ten years of data:

Financial year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022	Option B	90:1	84:1	80:1
2021	Option B	99:1	98:1	68:1
2020	Option B	30:1	30:1	28:1
2019	Option B	132:1	126:1	108:1

The 25th, median and 75th percentile data were calculated as at 13 January 2023. Full year pay data for the 2022 financial year has been used to calculate the ratios.

Disclosure of colleague data used to calculate the ratios	25th percentile	Median	75th percentile
Total pay and benefits	£22,349	£23,950	£25,304
Base salary	£21,227	£22,556	£23,364

The following adjustments have been made in order to calculate the figures above:

- We have used the assumption of a 40-hour week in order to calculate the hourly rate for the Chief Executive from the single total remuneration figure;
- For the Chief Executive we have used a combined calculation for Roisin Currie and Roger Whiteside, based on the number of days each served as Chief Executive in 2022, to calculate the figures above; and
- As the hours our colleague work vary week to week we have converted their hourly rate of pay into the equivalent 40-hour week in order that this is directly comparable with the hourly rate for the Chief Executive.

Of the three options set out in the legislation for calculating the Chief Executive pay ratio, we are using Option B – which uses Gender Pay Gap (GPG) data – to calculate the pay ratio. We believe the steady nature of our workforce ensures that the representative group remains the same as those individuals who are identified through the GPG reporting process. The individuals represented at the 25th, median and 75th percentile are all colleagues within

our front line retail and supply operations. The nature of our workforce and demographics are such that we have over 95% of our colleagues working in our front-line operations – be that in retail or in our supply chain.

Our pay reflects the key markets in which we operate and we also support our colleagues with additional benefits such as profit share, colleague discount and discounted SAYE participation. As previously outlined in this report, a key focus continues to be workforce fairness and the pay arrangements and support provided to our colleagues across the business. Our people are what makes our business successful and protecting our culture alongside our shareholders' and wider stakeholders' interests remains our priority.

The Committee acknowledges that 2022 was a challenging year for both the business and our colleagues due to the continued uncertainty and significant cost pressures being faced in the second half of the year. We therefore reviewed carefully the approach taken with the wider workforce when considering the approach to salary for the Executive Directors for the year ahead. The 2023 pay award agreed for our wider workforce consisted of a base pay award of 7%, with an additional 3% (10% in total) for a number of our roles and an additional 3.2% (10.2% in total) for our retail team members. On this basis, over 76% of our workforce received a pay increase of 10% or more.

For our operational retail colleagues (over 21,500 colleagues) this pay increase was brought forward by three months and therefore implemented from January 2023 (rather than April 2023).

Over the last five years, changes in the basic salary of our Chief Executive have consistently been in line with the base award given to all our colleagues. However, this year the Committee reviewed the pay award of both the Executive Directors and Operating Board and agreed that the awards should be proportionally lower than the general increases across the wider workforce, implementing a 4% increase in pay.

As such and as required in the regulations, we confirm our belief that the median pay ratio for the year is consistent with the Company's wider pay, reward and progression policies affecting our colleagues.

This report was approved by the Board on 7 March 2023.
Signed on behalf of the Board

Lynne Weedall

Chair of the Remuneration Committee
7 March 2023



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STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS

The Directors are responsible for preparing the strategic report and the Directors' report, the Directors' remuneration report and the accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company accounts for each financial year. The Directors have elected under company law and are required under the Listing Rules of the Financial Conduct Authority to prepare the Group accounts in accordance with UK-adopted International Accounting Standards. The Directors have elected under company law to prepare the Company accounts in accordance with UK-adopted International Accounting Standards.

The Group and Parent Company accounts are required by law and UK-adopted International Accounting Standards to present fairly the financial position of the Group and the Parent Company and the financial performance of the Group; the Companies Act 2006 provides in relation to such accounts that references in the relevant part of that Act to accounts giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Parent Company and of the profit or loss of the Group for that period.

In preparing each of the Group and Parent Company accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK-adopted International Accounting Standards;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

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

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed in the Directors' report confirm that, to the best of each person's knowledge:

- the accounts, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Parent Company and the undertakings included in the consolidation taken as a whole; and
- the strategic report and the Directors' report contained in the annual 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Greggs plc website.

Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

Roisin Currie

Chief Executive
7 March 2023

Richard Hutton

Chief Financial Officer



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREGGS PLC

Opinion

We have audited the financial statements of Greggs plc (the 'Parent Company') and its subsidiaries (the 'Group') for the 52 weeks ended 31 December 2022, which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, Balance Sheets, Statements of Changes in Equity, Statement of Cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK-adopted International Accounting Standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and UK-adopted International Accounting Standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's profit for the 52 weeks then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the Parent Company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	Group and Parent Company Valuation of lease liabilities
Materiality	Group Overall materiality: £7.00 million (2021: £7.00 million) Performance materiality: £5.25 million (2021: 4.55 million) Parent Company Overall materiality: £6.90 million (2021: £6.90 million) Performance materiality: £5.17 million (2021: 4.48 million)
Scope	Our audit procedures covered 100% of revenue, total assets and of profit before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group and Parent Company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Group and Parent Company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREGGS PLC CONTINUED

Valuation of Lease Liabilities

Key audit matter description	<p>Refer to page 74 – Audit Committee report Refer to page 116 – Basis of preparation (Key estimates and judgements) Refer to page 133 and 134 – Note 10, Leases Lease Liability – £301.3 million (2021: £283.2 million)</p> <p>As the Group occupies and manages approximately 1,900 shops/leases, the application of IFRS 16 is considered to give rise to a significant risk of material misstatement. IFRS 16 involves a significant element of judgement and estimation derived from a number of key assumptions. We consider the most significant assumptions affecting the valuation of lease liabilities to be:</p> <ul style="list-style-type: none"> - the lease term assumed in determining the lease liability (particularly in respect of circumstances where the Group remains in occupation using rights from the Landlord and Tenant Act 1954); and - the discount rate applied to calculate the lease liability. <p>Changes to the assumptions included above are likely to have a material impact on the valuation of lease liabilities and given the value of lease liabilities in comparison to Group materiality, we consider this area to represent a significant audit risk. Given the economic uncertainty and changing needs of the business in terms of shop size and location, judgements made in respect of lease term may need to be revisited.</p>
How the matter was addressed in the audit	<p>Our audit work relating to the valuation of lease liabilities included:</p> <ol style="list-style-type: none"> 1. Testing the accuracy and completeness of the underlying information used in the application of IFRS 16. 2. Critically challenging the key assumptions utilised by management, including the lease term and discount rate. 3. Testing that the calculations made were accurate through reperformance. 4. Assessing the application of and accounting for changes throughout the year including the treatment of new leases, modifications to leases, the unwinding of interest and capital payments in respect of lease liabilities. 5. Reviewing disclosures relating to lease liabilities to ensure they are in accordance with the applicable financial reporting framework.
Key observations	<p>Our audit work in respect of the valuation of lease liabilities concluded that we did not identify any material misstatements and the disclosures management have made are appropriate.</p>

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	Group	Parent Company
Overall materiality	Overall materiality: £7.00 million (2021: £7.00 million)	Overall materiality: £6.90 million (2021: £6.90 million)
Basis for determining overall materiality	4.7% (2021: 4.8%) of profit before tax	4.7% (2021: 4.7%) of profit before tax
Rationale for benchmark applied	Profit before tax is the primary measure used by the shareholders in assessing the performance of the Group and is a generally accepted auditing benchmark.	
Performance materiality	£5.25 million (2021: 4.55 million)	£5.17 million (2021: 4.48 million)
Basis for determining performance materiality	75% of overall materiality (2021: 65%)	75% of overall materiality (2021: 65%)
Reporting of misstatements to the Audit Committee	Misstatements in excess of £350k (2021: £350k) and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £345k (2021: £345k) and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

The materiality for the audit, was reassessed to reflect the actual results for the period. This did not result in any change in the original materiality.



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An overview of the scope of our audit

The Group consists of the Parent Company and nine subsidiaries all of which are dormant or non trading. The Group audit team audited the only significant component being the Parent Company. In doing so the coverage achieved by our audit procedures was 100% of Group revenue, total assets and profit before tax.

The impact of climate change on the audit

In planning our audit, we considered the potential impact of the possible risks arising from climate change on the Group's and the Company's financial statements and obtained an understanding of how management identifies and responds to climate-related risks. Further information on management's risk assessment, progress and commitments is provided in the Group's climate-related risk disclosures on pages 35 to 41 of the annual report.

We performed risk assessment procedures including making enquiries of management, reading Board minutes and applying our knowledge of the Group and the Company and the sector within which it operates to assess the potential impact on the financial statements.

Taking account of the nature of the business, the limited sensitivity of impairment reviews to reasonably possible changes in future cashflows, and useful economic lives of tangible/intangible assets to changing regulation, weather patterns or business activities, we have not assessed climate-related risk to be significant to our audit. There was also no impact on our key audit matters.

In accordance with our obligations with regards to other information, we have read the Group's climate-related risk disclosures on pages 35 to 41 of the annual report and in doing so have considered whether those disclosures are materially inconsistent with the financial statements or our knowledge obtained during the course of the audit, or otherwise appear to be materially misstated.

We have not been engaged to provide assurance over the accuracy of the climate-related risk disclosures set out on pages 35 to 41 in the annual report.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

1. Assessing the forward-looking assumptions used by management in their assessment of going concern.
2. Corroborating key management assumptions to supporting evidence including financing arrangements in place.
3. Challenging management's assumptions including performing downside sensitivities in respect of key assumptions.
4. Considering the adequacy of management's scenario analysis and contingency plans.
5. Checking the integrity and mechanism of the forecast model provided by management.
6. Obtaining evidence of Board approval of the budgets and forecasts.
7. Assessing historical forecast accuracy.
8. Re-calculating management's covenant calculations to assess the risk of forecast non-compliance.
9. Evaluating the adequacy of going concern related disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Parent Company's ability to continue as a going concern for the period of assessment to December 2024.

In relation to the entity reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.



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Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Corporate governance statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Parent Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 114 to 115;
- Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on pages 114 to 115;
- Director's statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on pages 114 to 115;
- Directors' statement on fair, balanced and understandable set out on page 71;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 47;
- Section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 76; and
- Section describing the work of the Audit Committee set out on pages 72 to 77.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 101, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.



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Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the Group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the Group and Parent Company operate in and how the Group and Parent Company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible

to fraud for regulated entities, as defined in ISA 250B: having obtained an understanding of the effectiveness of the control environment.

The most significant laws and regulations were determined as follows:

Legislation/Regulation	Additional audit procedures performed by the Group audit engagement team included:
IFRS/UK adopted IAS and Companies Act 2006	<ul style="list-style-type: none">- Review of the financial statement disclosures and testing to supporting documentation- Completion of disclosure checklists to identify areas of non-compliance
Tax compliance regulations	<ul style="list-style-type: none">- Inspection and review of tax computations prepared by management- Input from a tax specialist was obtained regarding significant and complex matters- Consideration of whether any matter identified during the audit required reporting to an appropriate authority outside the entity
Distributable profits legislation	<ul style="list-style-type: none">- Assessment of extent of compliance as part of our audit work relating to reserves
Pension legislation	<ul style="list-style-type: none">- Assessment of extent of compliance as part of our audit work relating to defined benefit pensions
Food Safety/Health and Safety/Employment/General Data Protection Regulation	<ul style="list-style-type: none">- Inquiry of management and Directors- Inspection of correspondence with legal advisors and regulators (where applicable)

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Revenue recognition – cut off	<ul style="list-style-type: none">- Testing a sample of transactions accounted pre and post year end for each significant revenue stream ensuring that revenue is recognised in the correct accounting period in line with the Group's accounting policy
Management override of controls	<ul style="list-style-type: none">- Testing the appropriateness of journal entries and other adjustments;- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and- Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



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Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the shareholders on 14 May 2021 to audit the financial statements for the 52 week period ended 1 January 2022 and subsequent financial periods.

The period of total uninterrupted consecutive appointments is two years, covering the years ending 1 January 2022 to 31 December 2022.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee in accordance with ISAs(UK).

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

In due course, as required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard (ESEF RTS). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Rachel Fleming (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
1 St. James' Gate
Newcastle upon Tyne
NE14AD

7 March 2023



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CONSOLIDATED INCOME STATEMENT FOR THE 52 WEEKS ENDED 31 DECEMBER 2022 (2021: 52 WEEKS ENDED 1 JANUARY 2022)

	Note	2022 £m	2021 £m
Revenue	1	1,512.8	1,229.7
Cost of sales		(574.5)	(447.7)
Gross profit		938.3	782.0
Distribution and selling costs		(713.2)	(567.6)
Administrative expenses		(70.7)	(61.2)
Operating profit		154.4	153.2
Finance expense (net)	5	(6.1)	(7.6)
Profit before tax	3-5	148.3	145.6
Income tax	7	(28.0)	(28.1)
Profit for the financial year attributable to equity holders of the Parent		120.3	117.5
Basic earnings per share	8	118.5p	115.7p
Diluted earnings per share	8	117.5p	114.3p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE 52 WEEKS ENDED 31 DECEMBER 2022 (2021: 52 WEEKS ENDED 1 JANUARY 2022)

	Note	2022 £m	2021 £m
Profit for the financial year		120.3	117.5
Other comprehensive income			
<i>Items that will not be recycled to profit and loss:</i>			
Remeasurements on defined benefit pension plans	20	0.7	7.1
Tax on remeasurements on defined benefit pension plans	7	1.8	(1.7)
Other comprehensive income for the financial year, net of income tax		2.5	5.4
Total comprehensive income for the financial year		122.8	122.9



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BALANCE SHEETS AT 31 DECEMBER 2022 (2021: 1 JANUARY 2022)

	Note	Group		Parent Company	
		2022 £m	2021 £m	2022 £m	2021 £m
ASSETS					
Non-current assets					
Intangible assets	9	13.5	14.9	13.5	14.9
Property, plant and equipment	11	390.0	343.8	390.6	344.4
Right-of-use assets	10	281.6	263.6	281.6	263.6
Investments	12	–	–	5.0	5.0
Defined benefit pension asset	20	6.3	–	6.3	–
		691.4	622.3	697.0	627.9
Current assets					
Inventories	14	40.6	27.9	40.6	27.9
Trade and other receivables	15	50.2	37.6	50.2	37.6
Assets held for resale		–	1.6	–	1.6
Current tax	18	0.6	0.4	0.6	0.4
Cash and cash equivalents	16	191.6	198.6	191.6	198.6
		283.0	266.1	283.0	266.1
Total assets		974.4	888.4	980.0	894.0
LIABILITIES					
Current liabilities					
Trade and other payables	17	(191.7)	(153.4)	(199.4)	(161.1)
Lease liabilities	10	(48.8)	(49.3)	(48.8)	(49.3)
Provisions	21	(3.6)	(4.2)	(3.6)	(4.2)
		(244.1)	(206.9)	(251.8)	(214.6)
Non-current liabilities					
Other payables	19	(2.8)	(3.2)	(2.8)	(3.2)
Defined benefit pension liability	20	–	(2.4)	–	(2.4)
Lease liabilities	10	(252.5)	(233.9)	(252.5)	(233.9)
Deferred tax liability	13	(26.3)	(10.0)	(25.7)	(9.4)
Long-term provisions	21	(2.7)	(2.8)	(2.7)	(2.8)
		(284.3)	(252.3)	(283.7)	(251.7)
Total liabilities		(528.4)	(459.2)	(535.5)	(466.3)
Net assets		446.0	429.2	444.5	427.7
EQUITY					
Capital and reserves					
Issued capital	22	2.0	2.0	2.0	2.0
Share premium account	22	23.1	20.0	23.1	20.0
Capital redemption reserve	22	0.4	0.4	0.4	0.4
Retained earnings		420.5	406.8	419.0	405.3
Total equity attributable to equity holders of the Parent		446.0	429.2	444.5	427.7

Of the Group profit for the year £120.3 million (2021: £117.6 million) is dealt with in the books of the Parent Company.

The accounts on pages 108 to 155 were approved by the Board of Directors on 7 March 2023 and were signed on its behalf by:

Roisin Currie

Richard Hutton

Company Registered Number 502851



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STATEMENTS OF CHANGES IN EQUITY FOR THE 52 WEEKS ENDED 31 DECEMBER 2022 (2021: 52 WEEKS ENDED 1 JANUARY 2022)

Group

52 weeks ended 1 January 2022

			Attributable to equity holders of the Company				
		Note	Issued capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Total £m
Balance at 3 January 2021			2.0	15.7	0.4	303.5	321.6
Total comprehensive income for the year							
Profit for the financial year			-	-	-	117.5	117.5
Other comprehensive income			-	-	-	5.4	5.4
Total comprehensive income for the year			-	-	-	122.9	122.9
Transactions with owners, recorded directly in equity							
Issue of ordinary shares			-	4.3	-	-	4.3
Sale of own shares			-	-	-	0.3	0.3
Purchase of own shares			-	-	-	(10.0)	(10.0)
Share-based payment transactions		20	-	-	-	2.2	2.2
Dividends to equity holders			-	-	-	(15.3)	(15.3)
Tax items taken directly to reserves		7	-	-	-	3.2	3.2
Total transactions with owners			-	4.3	-	(19.6)	(15.3)
Balance at 1 January 2022			2.0	20.0	0.4	406.8	429.2

52 weeks ended 31 December 2022

			Attributable to equity holders of the Company				
		Note	Issued capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Total £m
Balance at 2 January 2022			2.0	20.0	0.4	406.8	429.2
Total comprehensive income for the year							
Profit for the financial year			-	-	-	120.3	120.3
Other comprehensive income			-	-	-	2.5	2.5
Total comprehensive income for the year			-	-	-	122.8	122.8
Transactions with owners, recorded directly in equity							
Issue of ordinary shares			-	3.1	-	-	3.1
Purchase of own shares			-	-	-	(11.0)	(11.0)
Share-based payment transactions		20	-	-	-	3.6	3.6
Dividends to equity holders			-	-	-	(98.5)	(98.5)
Tax items taken directly to reserves		7	-	-	-	(3.2)	(3.2)
Total transactions with owners			-	3.1	-	(109.1)	(106.0)
Balance at 31 December 2022			2.0	23.1	0.4	420.5	446.0



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STATEMENTS OF CHANGES IN EQUITY CONTINUED FOR THE 52 WEEKS ENDED 31 DECEMBER 2022 (2021: 52 WEEKS ENDED 1 JANUARY 2022)

Parent Company

52 weeks ended 1 January 2022

				Attributable to equity holders of the Company				
		Note		Issued capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Total £m
Balance at 3 January 2021				2.0	15.7	0.4	301.9	320.0
Total comprehensive income for the year								
Profit for the financial year		6		-	-	-	117.6	117.6
Other comprehensive income				-	-	-	5.4	5.4
Total comprehensive income for the year				-	-	-	123.0	123.0
Transactions with owners, recorded directly in equity								
Issue of ordinary shares				-	4.3	-	-	4.3
Sale of own shares				-	-	-	0.3	0.3
Purchase of own shares				-	-	-	(10.0)	(10.0)
Share-based payment transactions		20		-	-	-	2.2	2.2
Dividends to equity holders				-	-	-	(15.3)	(15.3)
Tax items taken directly to reserves		7		-	-	-	3.2	3.2
Total transactions with owners				-	4.3	-	(19.6)	(15.3)
Balance at 1 January 2022				2.0	20.0	0.4	405.3	427.7

52 weeks ended 31 December 2022

				Attributable to equity holders of the Company				
		Note		Issued capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Total £m
Balance at 2 January 2022				2.0	20.0	0.4	405.3	427.7
Total comprehensive income for the year								
Profit for the financial year		6		-	-	-	120.3	120.3
Other comprehensive income				-	-	-	2.5	2.5
Total comprehensive income for the year				-	-	-	122.8	122.8
Transactions with owners, recorded directly in equity								
Issue of ordinary shares				-	3.1	-	-	3.1
Purchase of own shares				-	-	-	(11.0)	(11.0)
Share-based payment transactions		20		-	-	-	3.6	3.6
Dividends to equity holders				-	-	-	(98.5)	(98.5)
Tax items taken directly to reserves		7		-	-	-	(3.2)	(3.2)
Total transactions with owners				-	3.1	-	(109.1)	(106.0)
Balance at 31 December 2022				2.0	23.1	0.4	419.0	444.5



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STATEMENTS OF CASH FLOWS FOR THE 52 WEEKS ENDED 31 DECEMBER 2022 (2021: 52 WEEKS ENDED 1 JANUARY 2022)

	Note	Group	2022 £m	2021 £m	Parent Company	2022 £m	2021 £m
Operating activities							
Cash generated from operations (see below)			272.3	312.1	272.3	312.1	
Income tax paid			(13.3)	(19.2)	(13.3)	(19.2)	
Interest paid on lease liabilities	5		(6.8)	(6.3)	(6.8)	(6.3)	
Interest paid on borrowings and other related charges	5		(0.7)	(1.1)	(0.7)	(1.1)	
Net cash inflow from operating activities			251.5	285.5	251.5	285.5	
Investing activities							
Acquisition of property, plant and equipment			(100.0)	(50.5)	(100.0)	(50.5)	
Acquisition of intangible assets			(3.3)	(3.8)	(3.3)	(3.8)	
Proceeds from sale of property, plant and equipment			0.9	0.3	0.9	0.3	
Proceeds from sale of assets held for sale			1.6	-	1.6	-	
Interest received	5		1.4	-	1.4	-	
Net cash outflow from investing activities			(99.4)	(54.0)	(99.4)	(54.0)	
Financing activities							
Proceeds from issue of share capital			3.1	4.3	3.1	4.3	
Sale of own shares			-	0.3	-	0.3	
Purchase of own shares			(11.0)	(10.0)	(11.0)	(10.0)	
Dividends paid			(98.5)	(15.3)	(98.5)	(15.3)	
Repayment of principal on lease liabilities			(52.7)	(49.0)	(52.7)	(49.0)	
Net cash outflow from financing activities			(159.1)	(69.7)	(159.1)	(69.7)	
Net (decrease)/increase in cash and cash equivalents			(7.0)	161.8	(7.0)	161.8	
Cash and cash equivalents at the start of the year	16		198.6	36.8	198.6	36.8	
Cash and cash equivalents at the end of the year	16		191.6	198.6	191.6	198.6	



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STATEMENTS OF CASH FLOWS CONTINUED FOR THE 52 WEEKS ENDED 31 DECEMBER 2022 (2021: 52 WEEKS ENDED 1 JANUARY 2022)

Cash flow statement – cash generated from operations

	Note	Group	2022 £m	2021 £m	Parent Company	2022 £m	2021 £m
Profit for the financial year			120.3	117.5	120.3	117.6	
Amortisation	9		4.7	4.5	4.7	4.5	
Depreciation – property, plant and equipment	11		58.0	54.2	58.0	54.2	
Depreciation – right-of-use assets	10		52.8	48.7	52.8	48.7	
Net impairment charge/(reversal) – property, plant and equipment	11		1.2	(1.9)	1.2	(1.9)	
Impairment reversal – right-of-use assets	10		0.0	(1.6)	0.0	(1.6)	
Loss on sale of property, plant and equipment	3		1.0	0.9	1.0	0.9	
Release of Government grants	3		(0.4)	(0.5)	(0.4)	(0.5)	
Share-based payment expenses	20		3.6	2.2	3.6	2.2	
Finance expense	5		6.1	7.6	6.1	7.6	
Income tax expense	7		28.0	28.1	28.0	28.0	
Increase in inventories			(12.7)	(5.4)	(12.7)	(5.4)	
(Increase)/decrease in receivables			(12.4)	1.8	(12.4)	1.8	
Increase in payables			30.8	58.9	30.8	58.9	
Decrease in provisions			(0.7)	(0.4)	(0.7)	(0.4)	
Decrease in pension liability	20		(8.0)	(2.5)	(8.0)	(2.5)	
Cash from operating activities			272.3	312.1	272.3	312.1	



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NOTES TO THE CONSOLIDATED ACCOUNTS

Significant accounting policies

Greggs plc ('the Company') is a company incorporated and domiciled in the UK. The Group accounts consolidate those of the Company and its subsidiaries (together referred to as 'the Group'). The results of the associate are not consolidated on the grounds of materiality. The Parent Company accounts present information about the Company as a separate entity and not about its Group.

The accounts were authorised for issue by the Directors on 7 March 2023.

(a) Statement of compliance

The Group and Parent Company accounts have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

(b) Basis of preparation

The accounts are presented in pounds sterling, rounded to the nearest £0.1 million unless otherwise stated, and are prepared on the historical cost basis except for the defined benefit pension asset/liability, which is recognised as the fair value of the plan assets less the present value of the defined benefit obligation.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' report and strategic report on pages 1 to 101. The financial position of the Group, its cash flows and liquidity position are described in the financial review on pages 43 to 45. In addition, Note 2 to the accounts includes: the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The accounting policies set out below have been applied consistently throughout the Group and to all years presented in these consolidated accounts except if mentioned otherwise.

From 2 January 2022 the following amendments were adopted by the Group:

- Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use;
- Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract; and
- Annual Improvements 2018-2020.

Their adoption did not have a material effect on the accounts.

Going concern

The Directors have considered the adoption of the going concern basis of preparation for these accounts in the context of recent trading performance, macro-economic conditions and the trading outlook of the Group. At the end of the reporting period the Group had available liquidity totalling £261.6 million, comprised of cash and cash equivalents of £191.6 million plus an undrawn revolving credit facility (RCF) of £70.0 million, which is committed to December 2025. The RCF includes financial covenants that the Group must comply with related to maximum leverage and a minimum fixed charge cover. How these covenants are measured and the required ratios are set out in Note 2.



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The Directors have reviewed cash flow forecasts prepared for the period up to December 2024 as well as covenant compliance for that period. In reviewing the cash flow forecasts the Directors considered the current trading performance of the Group and the likely capital expenditure and working capital requirements of its growth plans.

After reviewing these cash flow forecasts and making enquiries, the Directors are confident that the Company and the Group will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the accounts. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Key estimates and judgements

The preparation of financial information in conformity with UK-adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

Impairment

Property, plant and equipment and right-of-use assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. For example, shop fittings and right-of-use assets may be impaired if sales in that shop fall. When a review for impairment is conducted the recoverable amount is estimated based on the higher of the value-in-use calculations or fair value less costs of disposal. Value-in-use calculations are based on management's estimates of future cash flows generated by the assets and an appropriate discount rate. Consideration is also given to whether the impairment assessments made in prior years remain appropriate based on the latest expectations in respect of recoverable amount. Where it is concluded that the impairment has reduced, a reversal of the impairment is recorded.

The Group has traded profitably throughout 2022, with year-on-year growth particularly strong in the first quarter due to the comparison with pandemic lockdown restrictions in 2021. As such there is not considered to be a global indicator of impairment across the Group's asset base. Where indicators of impairments exist for specific cash generating units (CGUs), with each individual shop considered its own CGU (shops opened in 2021 and 2022 are excluded on the grounds that they are still maturing), then an impairment review has been performed to calculate the recoverable value.

For those shops with indications of impairment (identified as mature shops with low cash generation relative to the carrying value of the associated assets), the value-in-use has been calculated using the following assumptions:

- Like-for-like transaction volumes for those shops have been assumed to grow at a rate of 2.0% for the period of the impairment review;
- Where shops are currently used to fulfil orders for delivery, the net cash flows for fulfilling these orders are included within the estimated cash flows for the shop;
- Earnings before interest, tax, depreciation, amortisation and rent (EBITDAR) is used as a proxy for net cash flow excluding rental payments;
- The discount rate is based on the Group's pre-tax cost of capital and at 31 December 2022 was 9.6% (1 January 2022: 6.9%); and
- Consideration of the appropriate period over which to forecast cash flows, including reference to the lease term. Where considered appropriate cash flows have been included for periods beyond the lease probable end date (to a maximum of five years in accordance with IAS 36).

On the basis of these calculations, a net impairment charge of £1.2 million has been recognised during the current year (of which £1.16 million relates to fixtures and fittings and £0.04 million relates to right-of-use assets) resulting in an impairment provision of £5.2 million being retained at 31 December 2022 in respect of 92 shops (of which £2.3 million relates to fixtures and fittings and £2.9 million relates to right-of-use assets).



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Significant accounting policies continued

(b) Basis of preparation continued

Impairment continued

Given the uncertainties in the impairment model, the sensitivities of these assumptions on the impairment calculation have been tested:

- A 1% increase in the discount rate would result in an increased impairment of £0.4 million, with an additional 11 shops impaired. A 1% decrease in the discount rate would result in a reduced impairment of £0.3 million, with three fewer shops impaired.
- A 5% increase in the growth assumption for net cash flow (per annum) would result in a reduced impairment of £1.1 million with 16 fewer shops impaired. A 5% decrease in the growth assumption would result in an increased provision of £3.3 million with an additional 47 shops impaired.

Determining the rate used to discount lease payments

At the commencement date of property leases the lease liability is calculated by discounting the lease payments. The discount rate used should be the interest rate implicit in the lease. However, if that rate cannot be readily determined, which is generally the case for property leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. As the Group had no suitable external borrowings from which to determine that rate, judgement is required to determine the incremental borrowing rate to be used. At the start of each month a risk-free rate is obtained, linked to the length of the lease and an adjustment is then made to reflect credit risk. During the year discount rates in the range 2.5% to 5.9% were used. Small changes in the discount rate would have an immaterial impact on the accounts. A 0.1% change in the discount rate used for each lease is estimated to adjust the total liabilities by c. £1.0 million.

Determining the lease term of property leases

At the commencement date of property leases the Group normally determines the lease term to be the full term of the lease, assuming that any option to break or extend the lease is unlikely to be exercised and it is not reasonably certain that the Group will continue in occupation for any period beyond the lease term. Leases are regularly reviewed and will be revalued if it becomes reasonably certain that a break clause or option to extend the lease will be exercised.

The leases typically run for a period of 10 or 15 years. In England and Wales, the majority of the Group's property leases are protected by the Landlord and Tenant Act 1954 (LTA) which affords protection to the lessee at the end of an existing lease term.

Judgement is required in respect of those property leases where the current lease term has expired but the Group has not yet renewed the lease. Where the Group believes renewal to be reasonably certain and the lease is protected by the LTA it will be treated as having been renewed at the date of termination of the previous lease term and on the same terms as the previous lease. Where renewal is not considered to be reasonably certain the leases are included with a lease term which reflects the anticipated notice period under relevant legislation. The lease will be revalued when it is renewed to take account of the new terms. As at 31 December 2022 the financial effect of applying this judgement was an increase in recognised lease liabilities of £45.1 million (1 January 2022: £41.7 million).

In addition, where a shop is refurbished nearing the end of the contractual lease end date and the Group therefore expects to renew the lease, the lease liability is revised to reflect an additional lease term. The impact of this judgement as at 31 December 2022 is an additional lease liability of £7.7 million (1 January 2022: £7.7 million).

Post-retirement benefits

The determination of the defined benefit obligation of the Group's defined benefit pension scheme depends on the selection of certain assumptions with significant estimation uncertainty including the discount rate, inflation rate, mortality rates and commutation. Differences arising from actual experience or future changes in assumptions will be reflected in future years. The key assumptions, sensitivities and carrying amounts for 2022 are given in Note 20.



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(c) Basis of consolidation

The consolidated accounts include the results of Greggs plc and its subsidiary undertakings for the 52 weeks ended 31 December 2022. The comparative period is the 52 weeks ended 1 January 2022.

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The accounts of subsidiaries are included in the consolidated accounts from the date on which control commences until the date on which control ceases.

(ii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds 20% to 50% of the voting power of another entity unless it can be clearly demonstrated that this is not the case. At the year end the Group has one associate which has not been consolidated on the grounds of materiality (see Note 12).

(iii) Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated accounts.

(d) Exceptional items

Exceptional items are defined as items of income and expenditure which are material and unusual in nature and which are considered to be of such significance that they require separate disclosure on the face of the income statement. Any future movements on items previously classified as exceptional will also be classified as exceptional.

(e) Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the income statement.

(f) Intangible assets

The Group's only intangible assets relate to software and the costs of its implementation which are measured at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the income statement as incurred.

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives are five to seven years.

Assets in the course of development are reclassified and amortisation commences when the assets are available for use.



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Significant accounting policies continued

(g) Leases

(i) Lease recognition

At inception of a contract the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

For leases of properties in which the Group is a lessee, it has applied the practical expedient permitted by IFRS 16 and will account for each lease component and any associated non-lease components as a single lease component.

(ii) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, adjusted for any lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis. Right-of-use assets are subject to, and reviewed regularly for, impairment. Depreciation on right-of-use assets is included in selling and distribution costs in the consolidated income statement.

(iii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of the lease payments to be made over the lease term. Lease payments include fixed payments less any lease incentives receivable and variable lease payments that depend on an index or rate. Any variable lease payments that do not depend on an index or rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. Generally the Group uses its incremental borrowing rate as the discount rate. When there are no external borrowings, judgement is required to determine an approximation, calculated based on UK Government gilt rates of an appropriate duration and adjusted by an indicative credit premium.

After the commencement date, the lease liability is increased to reflect the accretion of interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the fixed lease payments. The remeasured lease liability (and corresponding right-of-use asset) is calculated using a revised discount rate, based upon a revised incremental borrowing rate at the time of the change. Interest charges are included in finance costs in the income statement.

(iv) Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery and equipment that have a lease term of less than 12 months and leases of low-value assets. Lease payments relating to short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

(v) Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a shop. For individual shops, up to 100% of lease payments are on the basis of variable payment terms. These payments are recognised in the income statement in the period in which the condition that triggers them occurs. Under existing lease arrangements, where variable payment terms exist, the expected future cash outflow on an annual basis is expected to be immaterial.



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(h) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy (l)). The cost of self-constructed assets includes the cost of materials and direct labour.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying value of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

(iii) Depreciation

Depreciation is provided so as to write off the cost (less residual value) of each item of property, plant and equipment during its expected useful life using the straight-line method over the following periods:

Freehold and long leasehold buildings	20 to 40 years
Short leasehold properties	10 years or length of lease if shorter
Plant and machinery, fixtures and fittings	3 to 10 years

Freehold land is not depreciated.

Depreciation methods, useful lives and residual values (if not insignificant) are reassessed annually.

(iv) Assets in the course of construction

These assets are recategorised and depreciation commences when the assets are available for use.

(i) Investments

Non-current investments comprise investments in subsidiaries and associates which are carried at cost less impairment.

Current investments comprise fixed-term, fixed-rate bank deposits where the term is greater than three months.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories includes expenditure incurred in acquiring the inventories and direct production labour costs.

(k) Cash and cash equivalents

Cash and cash equivalents comprises cash at bank, in hand, debit and credit card receivables and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.



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Significant accounting policies continued

(I) Impairment of non-financial assets

The carrying amounts of the Group and Company's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Impairment reviews are carried out on an individual shop basis.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in prior years are assessed at each reporting date and reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

(m) Assets held for sale

Assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group and Company's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Once classified as held for sale, assets are no longer depreciated or amortised.

(n) Share capital and reserves

(i) Repurchase of share capital

When share capital recognised as equity is repurchased for cancellation, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity in the capital redemption reserve. Repurchased shares that are held in the employee share ownership plan are classified as treasury shares and are presented as a deduction from total equity.

(ii) Dividends

Dividends are recognised as a liability when the Company has an obligation to pay and the dividend is no longer at the Company's discretion.

(iii) Distributable reserves

All Parent Company retained earnings are distributable and are the only such reserves.

(o) Employee share ownership plan

The Group and Parent Company accounts include the assets and related liabilities of the Greggs Employee Benefit Trust (EBT). In both the Group and Parent Company accounts the treasury shares held by the EBT are stated at cost and deducted from total equity.

(p) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be measured reliably.

(ii) Defined contribution pension plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement when they are due.



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(iii) Defined benefit pension plans

The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) is deducted. The Company determines the net interest on the net defined benefit asset/liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit asset/liability.

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA, that have maturity dates approximating to the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit pension plans comprise actuarial gains and losses and the return on plan assets (excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit pension plans in employee benefit expenses in the income statement.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The calculation of the defined benefit obligation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan (net of tax) or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements in accordance with IFRIC 14.

(iv) Share-based payment transactions

The share option programme allows Group employees to acquire shares in the Company. The fair value of share options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date, using an appropriate model, taking into account the terms and conditions upon which the share options were granted, and is spread over the period during which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

(v) Termination benefits

Termination benefits are expensed at the earlier of the date at which the Group can no longer withdraw the offer of these benefits and the date at which the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date they are discounted.

(q) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.



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Significant accounting policies continued

(q) Provisions continued

(ii) Onerous contracts

Provisions for onerous contracts are recognised when the Group believes that the unavoidable costs of meeting the contract obligations exceed the economic benefits expected to be received under the contract. At this point and before a provision is established the Group recognises any impairment loss on the associated assets.

(iii) Dilapidations

The Group provides for property dilapidations, where appropriate, based on the future expected repair costs required to restore the Group's leased buildings to their fair condition at the end of their respective lease terms, where it is considered a reliable estimate can be made.

(r) Revenue

(i) Retail sales

Revenue from the sale of goods is recognised as income on receipt of cash or card payment. Revenue is measured net of discounts, promotions and value added taxation.

Revenue from delivery services is included in retail sales and recognised on delivery.

(ii) Franchise sales

Franchise sales are recognised when goods are delivered to franchisees. Additional franchise royalty fee income, generally calculated as a percentage of gross sales income, is recognised in line with the franchisees' product sales in accordance with the relevant agreement. Pre-opening capital fit-out costs are recharged to the franchisee and represent a key performance obligation of the overall franchise sales agreement. These recharges are recognised as income on completion of the related fit-out. Sales are invoiced to franchisees on credit terms of less than three months.

(iii) Wholesale sales

Wholesale sales are recognised when goods are delivered to customers.

(iv) Loyalty programme/gift cards

Amounts received for gift cards or as part of the loyalty programme are deferred. They are recognised as revenue when the Group has fulfilled its obligation to supply products under the terms of the programme or when it is no longer probable that these amounts will be redeemed. Where customers are entitled to a free product after a set number of purchases under the loyalty programme, a proportion of the consideration received is deferred so that the revenue is recognised evenly across all of the linked transactions.

The nature, timing and uncertainty of revenues arising from the above transaction types do not differ significantly from each other.

(s) Government grants

Government grants are recognised in the balance sheet initially as deferred income when there is a reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised net of the related expenses in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in the income statement over the useful life of the asset.

(t) Finance income and expense

Interest income or expense is recognised using the effective interest method.



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(u) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes, if any. Taxable profit differs from profit as reported in the income statement because some items of income or expense are taxable or deductible in different years or may never be taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used in the calculation of taxable profit. It is accounted for using the balance sheet liability method. The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using tax rates that are expected to apply when the temporary differences reverse, based on rates enacted or substantively enacted at the balance sheet date. When the recovery of the carrying amount of an asset gives rise to multiple tax consequences which are not subject to the same income tax laws, separate temporary differences are identified, and the deferred tax on these is accounted for separately, including assessment of the recoverability of any deferred tax assets that arise.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related deferred tax benefit will be realised.

(v) Trade and other receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional. They are subsequently measured at amortised cost using the effective interest method, less loss allowance.

(w) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition.

(x) Research and development

The Company continuously strives to improve its products and processes through technical and other innovation. Such expenditure is typically expensed to the income statement when the related intellectual property is not capable of being formalised or capitalised within intangible assets.

(y) IFRSs available for early adoption not yet applied

The following amendments to standards which will be relevant to the Group were available for early adoption but have not been applied in these accounts:

- Amendments to IFRS1 and IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective date 1 January 2023).

Their adoption is not expected to have a material effect on the accounts.



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1. Segmental analysis

The Board is considered to be the 'chief operating decision maker' of the Group in the context of the IFRS 8 definition. In addition to its company-managed retail activities, the Group generates revenues from its business to business channel which includes franchise and wholesale activities. Both channels were categorised as reportable segments for the purposes of IFRS 8.

Company-managed retail activities – the Group sells a consistent range of fresh bakery goods, sandwiches and drinks in its own shops or via delivery. Sales are made to the general public on a cash basis. All results arise in the UK.

Business to business channel – the Group sells products to franchise and wholesale partners for sale in their own outlets as well as charging a licence fee to franchise partners. These sales and fees are invoiced to the partners on a credit basis. All results arise in the UK.

All revenue in 2022 and 2021 was recognised at a point in time.

The Board regularly reviews the revenues and trading profit of each segment. The Board receives information on overheads, assets and liabilities on an aggregated basis consistent with the Group accounts.

	2022 Retail company- managed shops £m	2022 Business to business £m	2022 Total £m	2021 Retail company- managed shops £m	2021 Business to business £m	2021 Total £m
Revenue	1,352.3	160.5	1,512.8	1,098.2	131.5	1,229.7
Trading profit*	224.6	31.3	255.9	207.1	28.5	235.6
Overheads including profit share			(101.5)			(82.4)
Operating profit			154.4			153.2
Finance expense (net)			(6.1)			(7.6)
Profit before tax			148.3			145.6

* Trading profit is defined as gross profit less supply chain costs and retail costs (including property costs) and before central overheads



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2. Financial risk management

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Retail sales represent a large proportion of the Group's sales and present no credit risk as they are made for cash or card payments. The Group does offer credit terms on sales to its wholesale and franchise customers. In such cases the Group operates effective credit control procedures in order to minimise exposure to overdue debts.

Counterparty risk is also considered low. All of the Group's surplus cash is held with highly-rated banks as specifically approved by the Board, in line with Group policy. Other receivables generally relate to VAT and other sundry balances due from third parties. Credit risk is considered low as amounts are generally recoverable within 30-day terms.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group usually operates with net current liabilities and is therefore reliant on the continued strong performance of the retail portfolio to meet its short-term liabilities. Short and medium-term cash forecasting is used to manage liquidity risk. These forecasts are used to ensure the Group has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

During 2020 the Group arranged a £100 million syndicated revolving credit facility with maturity in December 2023. During 2021 the Group exercised an option to extend the maturity by one year to December 2024 and during 2022 exercised a further option to extend the maturity to December 2025. This facility was undrawn at 31 December 2022 (2021: undrawn). The covenants comprise: leverage (calculated as the ratio of net borrowings to EBITDA) does not exceed 3:1; and fixed charge cover (calculated as the ratio of EBITDA to net rent and interest payable) cannot be below 1.75:1.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

Other than for the defined benefit pension scheme, market risk is not significant and therefore sensitivity analysis would not be meaningful. Sensitivity analysis for the defined benefit pension scheme is given in Note 20.

Currency risk

The Group has no regular material transactions in foreign currency although there are occasional purchases, mainly of capital items, denominated in foreign currency. Whilst certain costs such as electricity and wheat can be influenced by movements in the US dollar, actual contracts are priced in sterling. In respect of those key costs which are volatile, such as electricity and flour, the price may be fixed for a period of time in line with Group policy. All such contracts are for the Group's own expected usage.

Interest rate risk

Interest rate risk is the risk that movement in the interbank offered rates increase causing finance costs to increase. The Group's interest rate risk arises from its revolving credit facility. Whilst the facility remains undrawn increases in the interest rate will not impact on finance costs.

Equity price risk

The Group has no significant equity investments other than in its subsidiaries and associate. As disclosed in Note 20 the Group's defined benefit pension scheme has investments in equity-related funds.



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2. Financial risk management continued

Capital management

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing products and delivering services commensurate with the level of risk.

To meet these objectives the Group reviews the budgets, forecasts, profitability and cashflows on a regular basis to ensure there is sufficient capital to meet the needs of the Group.

The capital structure of the Group consists of shareholders' equity as set out in the consolidated statement of changes in equity. All working capital requirements are financed from existing cash resources and borrowings.

The Board reserves the option to purchase its own shares in the market dependent on market prices and surplus cash levels. The trustees of the Greggs Employee Benefit Trust also purchase shares for future satisfaction of employee share options.

Financial instruments

Group and Parent Company

All of the Group's surplus cash or cash equivalents is invested as cash placed on deposit or fixed-term deposits.

The Group's treasury policy has as its principal objective the achievement of the maximum rate of return on cash balances whilst maintaining an acceptable level of risk. Other than mentioned below there are no financial instruments, derivatives or commodity contracts used.

Financial assets and liabilities

A financial asset is measured at amortised cost if it meets both of the following conditions:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's main financial assets comprise cash and cash equivalents and fixed-term deposits. Other financial assets include trade and other receivables arising from the Group's activities. These financial assets all meet the conditions to be recognised at amortised cost.

Other than trade and other payables and lease liabilities, the Group had no financial liabilities as at 31 December 2022 (2021: £nil).

Fair values

The fair value of the Group's financial assets and liabilities is not materially different from their carrying values. Financial assets and liabilities comprise principally of trade and other receivables and trade and other payables and the only interest-bearing balances are the bank deposits and borrowings which attract interest at variable rates.

Interest rate, credit and foreign currency risk

The Group has not entered into any hedging transactions during the current and prior year and considers interest rate, credit and foreign currency risks not to be significant.



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3. Profit before tax

Profit before tax is stated after charging/(crediting):

	2022 £m	2021 £m
Amortisation of intangible assets	4.7	4.5
Depreciation of owned property, plant and equipment	58.0	54.2
Depreciation of right-of-use assets	52.8	48.7
Net impairment of owned property, plant and equipment	1.2	(1.9)
Net impairment of right-of-use assets	0.0	(1.6)
Loss on disposal of property, plant and equipment	1.0	0.9
Release of Government grants	(0.4)	(0.5)

Auditor's remuneration for the audit of these accounts amounted to £266,250 (2021: £250,000) and for other assurance services £31,300 (2021: £nil). Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's accounts, have not been disclosed as the information is required instead to be presented on a consolidated basis.

During 2021 an income statement saving of £14.9 million was made following the suspension of business rates until April 2021. There was no similar saving in 2022.

4. Personnel expenses

The average number of persons employed by the Group and Parent Company (including Directors) during the year was as follows:

	2022 Number	2021 Number
Management	660	601
Administration	432	353
Production	3,196	2,935
Shop	22,640	18,994
	26,928	22,883

The aggregate costs of these persons were as follows:

	Note	2022 £m	2021 £m
Wages and salaries		439.1	378.0
Compulsory social security contributions		33.8	25.0
Pension costs - defined contribution plans	20	26.5	22.4
Equity-settled transactions (including compulsory social security contributions)	20	3.3	3.8
		502.7	429.2



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4. Personnel expenses continued

In addition to wages and salaries, the total amount accrued under the Group's employee profit sharing scheme is contained within the main cost categories as follows:

	2022 £m	2021 £m
Cost of sales	4.3	4.3
Distribution and selling costs	10.3	10.3
Administrative expenses	2.0	2.0
Amount shared with employees	16.6	16.6
Compulsory social security contributions	2.1	2.1
	18.7	18.7

For the purposes of IAS 24 'Related Party Disclosures', key management personnel comprises the Directors and the members of the Operating Board and their remuneration was as follows:

	2022 £m	2021 £m
Salaries and fees	4.4	3.4
Taxable benefits	0.1	0.1
Annual bonus (including profit share)	2.5	2.4
Post-retirement benefits	0.3	0.3
Equity-settled transactions	2.3	0.9
	9.6	7.1

The following amounts are disclosed in accordance with Schedule 5 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008.

	2022 £m	2021 £m
Aggregate Directors' remuneration	2.7	2.5
Aggregate amount of gains on exercise of share options	0.2	2.0
	2.9	4.5

As noted in the Directors' Remuneration Report on page 93, the remuneration above includes the amounts paid to Roger Whiteside up to the date of his retirement from the Board.

During the year the number of Directors in the defined contribution pension scheme was two (2021: one) and in the defined benefit pension scheme was one (2021: one).



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5. Finance expense (net)

	Note	2022 £m	2021 £m
Interest income on cash balances		1.3	-
Interest expense on borrowings and other related charges		(0.7)	(1.1)
Foreign exchange gain/(loss)		0.1	(0.1)
Interest on lease liabilities		(6.8)	(6.3)
Net interest on defined benefit pension liability	20	0.0	(0.1)
		(6.1)	(7.6)

6. Profit attributable to Greggs plc

Of the Group profit for the year, £120.3 million (2021: £117.6 million) is dealt with in the accounts of the Parent Company. The Company has taken advantage of the exemption permitted by s408 of the Companies Act 2006 from presenting its own income statement.

7. Income tax expense

Recognised in the income statement

	2022 £m	2021 £m
Current tax		
Current year	14.1	19.1
Adjustment for prior years	(0.2)	(0.2)
	13.9	18.9
Deferred tax		
Origination and reversal of temporary differences	14.1	10.2
Adjustment for prior years	0.0	(1.0)
	14.1	9.2
Total income tax expense in income statement	28.0	28.1



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7. Income tax expense continued

Reconciliation of effective tax rate

The tables below explain the differences between the expected tax expense calculated at the UK statutory rate of 19% (2021: 19%) and the actual tax expense for each year.

	2022	2022 £m	2021	2021 £m
Profit before tax		148.3		145.6
Income tax using the domestic corporation tax rate	19.0%	28.1	19.0%	27.7
Items not taxable for tax purposes	(2.9%)	(4.3)	(2.0%)	(2.8)
Non-tax-deductible depreciation	0.6%	1.0	0.7%	1.0
Impairment of non-tax-deductible assets	-	-	(0.1%)	(0.2)
Impact of increase in deferred tax rate	2.3%	3.4	2.5%	3.6
Adjustment for prior years	(0.1%)	(0.2)	(0.8%)	(1.2)
Total income tax expense in income statement	18.9%	28.0	19.3%	28.1

Legislation to increase the rate of corporation tax to 25% from 1 April 2023 was substantively enacted on 24 May 2021. The 25% rate has therefore been applied to any timing differences that are expected to reverse on or after 1 April 2023 whilst a rate of 19% has been applied to those timing differences expected to reverse before 1 April 2023.

Tax recognised in other comprehensive income or directly in equity

	2022 Current tax £m	2022 Deferred tax £m	2022 Total £m	2021 Total £m
Debit/(credit):				
Relating to equity-settled transactions	-	3.2	3.2	(3.2)
Relating to current and defined benefit pension plans - remeasurement (losses)/gains	(0.8)	(1.0)	(1.8)	1.7
	(0.8)	2.2	1.4	(1.5)

The deferred tax movements in both the current and prior years relating to equity-settled transactions are in respect of share-based payments and arise as a result of fluctuations in share price in the year and the stage of maturity of existing schemes.

The current and deferred tax movements in both the current and prior years relating to defined benefit pension plans are in respect of plan remeasurements accounted for in other comprehensive income, special contributions made to the scheme and the revaluation impact of deferred tax previously recognised directly in equity.



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8. Earnings per share

Basic earnings per share

Basic earnings per share for the 52 weeks ended 31 December 2022 is calculated by dividing profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the 52 weeks ended 31 December 2022 as calculated below.

Diluted earnings per share

Diluted earnings per share for the 52 weeks ended 31 December 2022 is calculated by dividing profit attributable to ordinary shareholders by the weighted average number of ordinary shares, adjusted for the effects of all dilutive potential ordinary shares (which comprise share options granted to employees) in issue during the 52 weeks ended 31 December 2022 as calculated below.

Profit attributable to ordinary shareholders

	2022 £m	2021 £m
Profit for the financial year attributable to equity holders of the Parent	120.3	117.5
Basic earnings per share	118.5p	115.7p
Diluted earnings per share	117.5p	114.3p

Weighted average number of ordinary shares

	2022 Number	2021 Number
Issued ordinary shares at start of year	101,897,021	101,426,038
Effect of own shares held	(511,370)	(221,851)
Effect of shares issued	100,009	284,386
Weighted average number of ordinary shares during the year	101,485,660	101,488,573
Effect of share options in issue	849,222	1,261,311
Weighted average number of ordinary shares (diluted) during the year	102,334,882	102,749,884



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9. Intangible assets

Group and Parent Company

	Software £m	Assets under development £m	Total £m
Cost			
Balance at 3 January 2021	33.1	0.1	33.2
Additions	3.1	0.7	3.8
Transfers	0.1	(0.1)	-
Balance at 1 January 2022	36.3	0.7	37.0
Balance at 2 January 2022			
Additions	3.2	0.1	3.3
Transfers	0.8	(0.8)	-
Balance at 31 December 2022			
	40.3	-	40.3
Amortisation			
Balance at 3 January 2021	17.6	-	17.6
Amortisation charge for the year	4.5	-	4.5
Balance at 1 January 2022	22.1	-	22.1
Balance at 2 January 2022			
Amortisation charge for the year	4.7	-	4.7
Balance at 31 December 2022			
	26.8	-	26.8
Carrying amounts			
At 3 January 2021	15.5	0.1	15.6
At 1 January 2022	14.2	0.7	14.9
At 2 January 2022			
At 31 December 2022			
	14.2	0.7	14.9
	13.5	-	13.5

All amortisation is charged to administrative expenses in the income statement.

Assets under development relate to software projects arising from the investment in new systems platforms.



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10. Leases

Amounts recognised in the balance sheets

The balance sheets show the following amounts relating to leases:

Group and Parent Company

	2022 £m	2021 £m
Right-of-use assets		
Land and buildings	278.4	260.4
Plant and equipment	3.2	3.2
	281.6	263.6

Lease liabilities

	2022 £m	2021 £m
Current	48.8	49.3
Non-current	252.5	233.9
	301.3	283.2

The remaining maturities of the lease liabilities, which are gross and undiscounted, are as follows:

	2022 £m	2021 £m
Less than one year	56.2	53.0
One to two years	52.5	47.1
Two to three years	47.7	43.1
Three to four years	39.9	38.3
Four to five years	32.4	31.0
More than five years	106.4	92.6
Total undiscounted lease liability	335.1	305.1

Additions to right-of-use assets during the 52 weeks ended 31 December 2022 as a result of entering into new leases (either as a result of acquiring new shops or completing a lease renewal for an existing shop) were £63.4 million (2021: £49.6 million).

A further net increase of £7.8 million to right-of-use assets has also been recognised during the 52 weeks ended 31 December 2022 as a result of lease modifications and assumptions relating to lease term once a lease has become expired (2021: net decrease of £9.1 million).



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10. Leases continued

Amounts recognised in the income statement

	2022 £m	2021 £m
Depreciation charge on right-of-use assets		
Land and buildings	51.6	47.7
Plant and equipment	1.2	1.0
	52.8	48.7
Impairment charge/(reversal)	0.0	(1.6)
Interest expense (included in finance expense)	6.8	6.3
Expense included for short-term leases (included in cost of sales and administrative expenses)	0.1	0.1
Expense related to lease of low-value assets that are not shown above as short-term leases (included in administrative expenses)	0.2	0.1
Expense related to variable lease payments not included in lease liabilities (included in distribution and selling costs)	5.1	2.1

The impairment charge/(reversal) is charged to distribution and selling costs in the income statement and arises due to changes in the trading performance of the shops.

The total cash outflow for leases accounted for under IFRS 16 in 2022 was £59.5 million (2021: £55.3 million) and for other leases was £5.4 million (2021: £2.3 million).

The components of the movement in the total lease liability were as follows:

	2022 £m
Opening total liability	283.2
Additions in respect of new leases	63.4
Lease modifications	7.4
Interest on lease liabilities	6.8
Rental payments (including interest paid on lease liabilities within operating activities)	(59.5)
Closing total liability	301.3



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11. Property, plant and equipment

Group

		Land and buildings £m	Plant and equipment £m	Fixtures and fittings £m	Assets under construction £m	Total £m
Cost						
Balance at 3 January 2021		168.9	172.5	348.7	26.9	717.0
Additions		4.5	14.9	31.4	2.8	53.6
Disposals		(0.5)	(11.5)	(16.3)	-	(28.3)
Transfers		19.6	7.3	-	(26.9)	-
Reclassified as held for sale		(1.8)	-	-	-	(1.8)
Balance at 1 January 2022		190.7	183.2	363.8	2.8	740.5
Balance at 2 January 2022		190.7	183.2	363.8	2.8	740.5
Additions		3.1	22.9	71.8	9.7	107.5
Disposals		(0.4)	(4.0)	(21.5)	-	(25.9)
Transfers		0.1	2.7	-	(2.8)	-
Balance at 31 December 2022		193.5	204.8	414.1	9.7	822.1
Depreciation						
Balance at 3 January 2021		52.8	96.2	222.7	-	371.7
Depreciation charge for the year		5.5	15.4	33.3	-	54.2
Impairment charge for the year		-	0.1	0.7	-	0.8
Impairment release for the year		(1.0)	(0.4)	(1.3)	-	(2.7)
Disposals		(0.1)	(11.4)	(15.6)	-	(27.1)
Reclassified as held for sale		(0.2)	-	-	-	(0.2)
Balance at 1 January 2022		57.0	99.9	239.8	-	396.7
Balance at 2 January 2022		57.0	99.9	239.8	-	396.7
Depreciation charge for the year		6.2	16.6	35.2	-	58.0
Impairment charge for the year		-	-	2.0	-	2.0
Impairment release for the year		-	-	(0.8)	-	(0.8)
Disposals		(0.3)	(3.5)	(20.0)	-	(23.8)
Balance at 31 December 2022		62.9	113.0	256.2	-	432.1
Carrying amounts						
At 3 January 2021		116.1	76.3	126.0	26.9	345.3
At 1 January 2022		133.7	83.3	124.0	2.8	343.8
At 2 January 2022		133.7	83.3	124.0	2.8	343.8
At 31 December 2022		130.6	91.8	157.9	9.7	390.0

Assets under construction relate to the building of an additional line for the production of savouries at the manufacturing facility at Balliol Park, Newcastle upon Tyne.



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11. Property, plant and equipment continued

Assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable and provision is made where necessary. The method and assumptions used in these calculations, together with the associated sensitivities and reasons for impairment, are set out in the basis of preparation – key estimates and judgements on page 115. Any impairment charge/(reversal) is charged to distribution and selling costs in the income statement.

During 2018, the Company exchanged contracts for the disposal of the vacant Twickenham site. The disposal is conditional on a number of factors, including the applications for and successful grant of planning permission. As at the end of 2022 the timing of the resolution of these factors remains uncertain and therefore this asset continues to be classified as non-current. At this stage the total proceeds arising from supply chain site disposals are still expected to be in line with those anticipated in the investment plan.

During 2021, the Company exchanged contracts for the sale of land held in Southall. The cost and associated depreciation were reclassified as an asset held for sale in current assets. The sale was completed during 2022 for a cash consideration of £1.6 million.



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Parent Company

		Land and buildings £m	Plant and equipment £m	Fixtures and fittings £m	Assets under construction £m	Total £m
Cost						
Balance at 3 January 2021		169.4	173.0	349.2	26.9	718.5
Additions		4.5	14.9	31.4	2.8	53.6
Disposals		(0.5)	(11.5)	(16.3)	-	(28.3)
Transfers		19.6	7.3	-	(26.9)	-
Reclassified as held for sale		(1.8)	-	-	-	(1.8)
Balance at 1 January 2022		191.2	183.7	364.3	2.8	742.0
Balance at 2 January 2022		191.2	183.7	364.3	2.8	742.0
Additions		3.1	22.9	71.8	9.7	107.5
Disposals		(0.4)	(4.0)	(21.5)	-	(25.9)
Transfers		0.1	2.7	-	(2.8)	-
Balance at 31 December 2022		194.0	205.3	414.6	9.7	823.6
Depreciation						
Balance at 3 January 2021		53.1	96.4	223.1	-	372.6
Depreciation charge for the year		5.5	15.4	33.3	-	54.2
Impairment charge for the year		-	0.1	0.7	-	0.8
Impairment release for the year		(1.0)	(0.4)	(1.3)	-	(2.7)
Disposals		(0.1)	(11.4)	(15.6)	-	(27.1)
Reclassified as held for sale		(0.2)	-	-	-	(0.2)
Balance at 1 January 2022		57.3	100.1	240.2	-	397.6
Balance at 2 January 2022		57.3	100.1	240.2	-	397.6
Depreciation charge for the year		6.2	16.6	35.2	-	58.0
Impairment charge for the year		-	-	2.0	-	2.0
Impairment release for the year		-	-	(0.8)	-	(0.8)
Disposals		(0.3)	(3.5)	(20.0)	-	(23.8)
Balance at 31 December 2022		63.2	113.2	256.6	-	433.0
Carrying amounts						
At 3 January 2021		116.3	76.6	126.1	26.9	345.9
At 1 January 2022		133.9	83.6	124.1	2.8	344.4
At 2 January 2022		133.9	83.6	124.1	2.8	344.4
At 31 December 2022		130.8	92.1	158.0	9.7	390.6



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11. Property, plant and equipment continued

Land and buildings

The carrying amount of land and buildings comprises:

	Group		Parent Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Freehold property	129.6	132.5	129.8	132.7
Long leasehold property	0.4	0.4	0.4	0.4
Short leasehold property	0.6	0.8	0.6	0.8
	130.6	133.7	130.8	133.9

12. Investments

Non-current investments

Parent Company

	Shares in subsidiary undertakings £m
Cost Balance at 3 January 2021, 1 January 2022 and 31 December 2022	5.8
Impairment Balance at 3 January 2021, 1 January 2022 and 31 December 2022	0.8
Carrying amount Balance at 3 January 2021, 1 January 2022, 2 January 2022 and 31 December 2022	5.0



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The undertakings in which the Company's interest at the year end is more than 20% are as follows:

	Principal activity	Address of registered office	Proportion of voting rights and shares held
Charles Bragg (Bakers) Limited	Non-trading	1	100%
Greggs (Leasing) Limited	Dormant	1	100%
Thurston Parfitt Limited	Non-trading	1	100%
Greggs Properties Limited	Property holding	1	100%
Olivers (U.K.) Limited	Dormant	2	100%
Olivers (U.K.) Development Limited*	Non-trading	2	100%
Birketts Holdings Limited	Dormant	1	100%
J.R. Birkett and Sons Limited*	Non-trading	1	100%
Greggs Trustees Limited	Trustees	1	100%
Solstice Zone A Management Company Limited	Non-trading	3	28%

* Held indirectly

1 Greggs House
Quorum Business Park
Newcastle upon Tyne
NE12 8BU

2 Clydesmill Bakery
75 Westburn Drive
Clydesmill Estate
Cambuslang
Glasgow
G72 7NA

3 The Abbey
Preston Road
Yeovil
Somerset
BA20 2EN

Solstice Zone A Management Company Limited was not consolidated on the grounds of materiality in either the current or prior year.

The Company's subsidiary undertakings listed above were all entitled to exemption, under subsections (1) and (2) of s480 of Companies Act 2006 relating to dormant companies, from the requirement to have their accounts audited.



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13. Deferred tax assets and liabilities

Group

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Property, plant and equipment	-	-	(33.2)	(18.5)	(33.2)	(18.5)
Employee benefits	4.9	6.6	-	-	4.9	6.6
Short-term temporary differences	0.7	0.6	-	-	0.7	0.6
Unused tax losses	1.3	1.3	-	-	1.3	1.3
Tax assets/(liabilities)	6.9	8.5	(33.2)	(18.5)	(26.3)	(10.0)

The Group has a deferred tax asset of £8.5 million relating to buildings which previously qualified for industrial buildings allowance that is unrecognised at 31 December 2022, as it is not considered to be recoverable (1 January 2022: £8.5 million).

The movements in temporary differences during the 52 weeks ended 1 January 2022 were as follows:

	Balance at 3 January 2021 £m	Recognised in income £m	Recognised in equity £m	Balance at 1 January 2022 £m
Property, plant and equipment	(8.3)	(10.2)	-	(18.5)
Employee benefits	5.5	(0.4)	1.5	6.6
Short-term temporary differences	0.5	0.1	-	0.6
Unused tax losses	-	1.3	-	1.3
	(2.3)	(9.2)	1.5	(10.0)

The movements in temporary differences during the 52 weeks ended 31 December 2022 were as follows:

	Balance at 2 January 2022 £m	Recognised in income £m	Recognised in equity £m	Balance at 31 December 2022 £m
Property, plant and equipment	(18.5)	(14.7)	-	(33.2)
Employee benefits	6.6	0.5	(2.2)	4.9
Short-term temporary differences	0.6	0.1	-	0.7
Unused tax losses	1.3	-	-	1.3
	(10.0)	(14.1)	(2.2)	(26.3)



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Parent Company

Deferred tax assets and liabilities are attributable to the following:

	Assets	Liabilities	Net	
	2022 £m	2021 £m	2022 £m	2021 £m
Property, plant and equipment	-	-	(32.6)	(17.9)
Employee benefits	4.9	6.6	-	-
Short-term temporary differences	0.7	0.6	-	-
Unused tax losses	1.3	1.3	-	-
Tax assets/(liabilities)	6.9	8.5	(32.6)	(17.9)
			(25.7)	(9.4)

The movements in temporary differences during the 52 weeks ended 1 January 2022 were as follows:

	Balance at 3 January 2021 £m	Recognised in income £m	Recognised in equity £m	Balance at 1 January 2022 £m
Property, plant and equipment	(7.8)	(10.1)	-	(17.9)
Employee benefits	5.5	(0.4)	1.5	6.6
Short-term temporary differences	0.5	0.1	-	0.6
Unused tax losses	-	1.3	-	1.3
	(1.8)	(9.1)	1.5	(9.4)

The movements in temporary differences during the 52 weeks ended 31 December 2022 were as follows:

	Balance at 2 January 2022 £m	Recognised in income £m	Recognised in equity £m	Balance at 31 December 2022 £m
Property, plant and equipment	(17.9)	(14.7)	-	(32.6)
Employee benefits	6.6	0.5	(2.2)	4.9
Short-term temporary differences	0.6	0.1	-	0.7
Unused tax losses	1.3	-	-	1.3
	(9.4)	(14.1)	(2.2)	(25.7)



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14. Inventories

	Group and Parent Company	
	2022 £m	2021 £m
Raw materials and consumables	23.7	15.8
Work in progress	16.9	12.1
	40.6	27.9

Inventory recognised as an expense during the year was £455.6 million (2021: £347.7 million). The write-down of inventories that was recognised as an expense in the period was £32.8 million (2021: £36.0 million). There was no reversal of write-down of inventories in the current or prior year.

15. Trade and other receivables

	Group and Parent Company	
	2022 £m	2021 £m
Trade receivables	31.2	24.5
Other receivables	9.4	7.4
Prepayments	9.6	5.7
	50.2	37.6

At 31 December 2022 and 1 January 2022 the allowance for expected credit losses (ECLs) on financial assets are not material.

The ageing of trade receivables at the balance sheet date was:

	Group and Parent Company	
	2022 £m	2021 £m
Not past due date	29.2	23.1
Past due 1-30 days	1.9	1.5
Past due 31-90 days	-	(0.1)
Past due over 90 days	0.1	-
	31.2	24.5

The Group believes that all amounts that are past due by more than 30 days that have an immaterial allowance for ECLs are still collectable in full based on historic payment behaviour and extensive analysis of customer credit risk. Based on the Group's monitoring of customer credit risk, the Group believes that no significant allowance for ECLs is necessary in respect of trade receivables not past due.



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16. Cash and cash equivalents

	Group and Parent Company	
	2022 £m	2021 £m
Cash and cash equivalents	191.6	198.6

17. Trade and other payables

	Group		Parent Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Trade payables	102.8	74.1	102.8	74.1
Amounts owed to subsidiary undertakings	—	—	7.7	7.7
Other taxes and social security	8.6	8.8	8.6	8.8
Other payables	46.9	46.6	46.9	46.6
Accruals	28.3	19.6	28.3	19.6
Advance payments from customers	4.6	3.8	4.6	3.8
Deferred Government grants	0.5	0.5	0.5	0.5
	191.7	153.4	199.4	161.1

Other payables includes accruals of £21.5 million (2021: £23.0 million) for performance-related remuneration.

18. Current tax

The current tax asset of £0.6 million in the Group and the Parent Company (2021: Group and Parent Company: £0.4 million) represents the estimated amount of income taxes recoverable in respect of current and prior years.

19. Non-current liabilities – other payables

	Group and Parent Company	
	2022 £m	2021 £m
Deferred Government grants	2.8	3.2

The Group has been awarded five Government grants relating to the extension of existing facilities and construction of new facilities. The grants, which have all been recognised as deferred income, are being amortised over the weighted average of the useful lives of the assets they have been used to acquire.



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20. Employee benefits

Defined benefit pension plan

Scheme background

The Company sponsors a funded final salary defined benefit pension plan (the 'scheme') for qualifying employees. The scheme was closed to future accrual in 2008 and all remaining employees who are still members of the scheme are now members of the Company's defined contribution scheme.

The scheme is administered by a separate Board of Trustees which is legally separate from the Company. The Trustees are composed of representatives of both the employer and employees. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets plus the day-to-day administration of the benefits.

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the scheme was carried out by a qualified actuary as at 6 April 2020 and showed a deficit. The Company has agreed a schedule of contributions to the scheme which totalled £15.0 million.

The Company has a legal right to benefit from any surplus on the winding up of the scheme. The IAS 19 valuation at 31 December 2022 showed that the scheme has a surplus of £12.1 million. However, this surplus and the future-committed contributions would be subject to withholding tax at 35% prior to any refund to the Company. In accordance with accounting standards this withholding tax has been recognised as a deduction from the valuation surplus creating an overall surplus position of £6.3 million.

Profile of the scheme

The defined benefit pension obligation includes benefits for deferred members and current pensioners.

At 31 December 2022, the scheme had no active members (2021: nil), 351 deferred members (2021: 361) and 292 pensioners (2021: 283).

The scheme duration is an indicator of the weighted average time until benefit payments are made. For the scheme as a whole, the duration is approximately 15 years (2021: 19 years).

Investment strategy

The Company and Trustees have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes a policy to hold sufficient cash and bond assets to cover the anticipated benefit payments for at least the next five years so as to improve the cash flow matching of the scheme's assets and liabilities.

Risks to the scheme

By funding the defined benefit pension scheme the Company is exposed to the risk that the cost of meeting its obligations is higher than anticipated. This could occur for several reasons including:

- Investment returns on the scheme assets could be lower than anticipated;
- The level of price inflation may be higher than that assumed, resulting in higher payments from the scheme; or
- Scheme members may live longer than assumed, for example due to advances in healthcare.



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Defined benefit pension asset/(liability)

	Group and Parent Company	
	2022 £m	2021 £m
Defined benefit obligation	(82.5)	(132.5)
Fair value of plan assets	94.6	135.5
Net defined benefit pension surplus before IFRIC 14 adjustment	12.1	3.0
IFRIC 14 adjustment	(5.8)	(5.4)
Net defined benefit pension asset/(liability) after IFRIC 14 adjustment	6.3	(2.4)

In accordance with IFRIC 14, the Group has considered that the net defined benefit pension surplus is limited to the present value of benefits available in the form of any future refunds from the plan (net of withholding tax) and also takes into account the adverse effect of the minimum funding requirement that the Group is committed to as at 31 December 2022.

Liability for defined benefit pension obligations

Changes in the present value of the defined benefit pension obligation are as follows:

	Group and Parent Company	
	2022 £m	2021 £m
Opening defined benefit pension obligation	132.5	143.4
Interest cost	2.4	1.8
Remeasurement (gains)/losses:		
- changes in mortality assumptions	(0.7)	-
- changes in financial assumptions	(53.3)	(6.6)
- experience	5.4	(2.8)
Benefits paid	(3.8)	(3.3)
Closing defined benefit pension obligation	82.5	132.5

Changes in the fair value of plan assets are as follows:

	Group and Parent Company	
	2022 £m	2021 £m
Opening fair value of plan assets	135.5	131.5
Net interest on plan assets	2.5	1.7
Remeasurement (losses)/gains	(47.6)	3.1
Company special contribution	8.0	2.5
Benefits paid	(3.8)	(3.3)
Closing fair value of plan assets	94.6	135.5



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20. Employee benefits continued

Defined benefit pension plan continued

The costs charged in the income statement are as follows:

	Group	2022 £m	2021 £m
Interest expense on net defined pension liability		0.1	0.1
Associated movement in IFRIC 14 adjustment		(0.1)	-
Net interest expense		0.0	0.1

The amounts recognised in other comprehensive income are as follows:

	Group	2022 £m	2021 £m
Remeasurement gains on defined benefit pension plans		1.0	12.5
Associated movement in IFRIC 14 adjustment		(0.3)	(5.4)
Net remeasurement gains on defined benefit pension plans		0.7	7.1

Cumulative remeasurement gains and losses reported in the consolidated statement of comprehensive income since 28 December 2003, the transition date to adopted IFRSs, for the Group and the Parent Company are net losses of £16.7 million (2021: net losses of £17.7 million).

The fair value of the plan assets is as follows:

	Group and Parent Company	2022 £m	2021 £m
Equities - UK		8.8	11.6
- Overseas		13.9	22.6
Bonds - Corporate		23.2	41.0
- Government		37.5	52.1
Cash and cash equivalents/other		11.2	8.2
		94.6	135.5

Principal actuarial assumptions (expressed as weighted averages):

	Group and Parent Company	2022	2021
Discount rate	4.75%	1.85%	
Future salary increases	n/a	n/a	
Future pension increases	1.95% - 2.60%	2.05% - 2.80%	
Rate of price inflation(RPI)	3.10%	3.30%	
Rate of price inflation(CPI)	2.60%	2.80%	

In November 2020 the Government announced that RPI is to be aligned with CPIH (CPI with owner occupiers' costs) from 2030. As result the RPI assumption has been updated along with the assumed future gap between RPI and CPI.



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Mortality assumption

Mortality in retirement is assumed to be in line with the S2PXA tables using CMI_2021 projections, though placing no weight on the 2020 and 2021 data due to the inherent uncertainty over the longer-term implications of Covid-19, and a long-term rate of 1.25% per annum. Under these assumptions, pensioners aged 65 now are expected to live for a further 22.0 years (2021: 22.3 years) if they are male and 24.1 years (2021: 24.3 years) if they are female. Members currently aged 45 are expected to live for a further 23.4 years (2021: 23.6 years) from age 65 if they are male and for a further 25.6 years (2021: 25.8 years) from age 65 if they are female.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

	Change in assumption	Impact on scheme liabilities
Discount rate	0.1% increase	£5.6 million decrease
Inflation	0.1% decrease	£3.7 million decrease
Mortality rates	1 year increase	£2.5 million increase

If the commutation assumption were to be removed from the valuation the impact would be an increase in the scheme liabilities of £1.4 million.

The other demographic assumptions have been set having regard to latest trends in the scheme.

A triennial valuation of the scheme took place in April 2020 and was finalised during 2021. The outcome of that valuation showed a deficit in funding. This position was considered by the Trustees and the Company and a schedule of additional contributions of £2.5 million per year for six years, beginning in 2021, was agreed. However, as a result of the volatile market conditions in the autumn of 2022 the Company advanced payment of £5.5 million of these committed contributions, bringing the total contribution in the year to £8 million. £4.5 million of the original commitment remains to be paid in future years, none of which is expected to be paid in 2023.

Defined contribution plans

The Company also operates defined contribution schemes for other eligible employees. The assets of the schemes are held separately from those of the Group. The pension cost represents contributions payable by the Group and amounted to £26.5 million (2021: £22.4 million) in the year. At 31 December 2022 regular monthly employee and employer contributions of £2.8 million were not paid over to the schemes (1 January 2022: £2.3 million). These amounts were paid to the schemes in January.



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20. Employee benefits continued

Share-based payments – Group and Parent Company

The Group has established a Savings-Related Share Option Scheme, an Executive Share Option Scheme and a Performance Share Plan.

The terms and conditions of the grants for these schemes are as follows, whereby all options are settled by physical delivery of shares:

	Date of grant	Employees entitled	Exercise price	Number of shares granted	Vesting conditions	Contractual life
Performance Share Plan 3	March 2012	Senior executives	£nil	248,922	Three years' service, EPS annual compound growth of 3-8% over RPI over those three years and TSR position relative to an appropriate comparator group	10 years
Executive Share Option Scheme 16	March 2013	Senior employees	£4.80	693,000	Three years' service and EPS growth of 3-7% over RPI on average over those three years	10 years
Performance Share Plan 4	March 2013	Senior executives	£nil	305,592	Three years' service, EPS annual compound growth of 3-8% over RPI over those three years and TSR position relative to an appropriate comparator group	10 years
Performance Share Plan 5	March 2014	Senior executives	£nil	224,599	Three years' service, EPS annual compound growth of 1-4% over RPI over those three years and average annual ROCE of 15.5-17% over those three years	10 years
Executive Share Option Scheme 17	April 2014	Senior employees	£5.00	598,225	Three years' service and EPS growth of 1-4% over RPI on average over those three years	10 years
Executive Share Option Scheme 18	March 2015	Senior employees	£10.22	298,045	Three years' service and EPS growth of 1-7% over RPI on average over those three years	10 years
Executive Share Option Scheme 18a	May 2015	Senior employee	£10.56	3,285	Three years' service and EPS growth of 1-7% over RPI on average over those three years	10 years
Performance Share Plan 6	March 2015	Senior executives	£nil	146,174	Three years' service, EPS annual compound growth of 1-7% over RPI over those three years and average annual ROCE of 19-21.5% over those three years	10 years
Performance Share Plan 7	March 2016	Senior executives	£nil	133,271	Three years' service, EPS average annual growth of 2-8% over RPI over those three years and average annual ROCE of 22-27% over those three years	10 years
Executive Share Option Scheme 19	April 2016	Senior employees	£10.88	235,857	Three years' service and EPS growth of 2-8% over RPI on average over those three years	10 years
Performance Share Plan 8	May 2017	Senior executives	£nil	206,404	Three years' service, EPS average annual growth of 5-11% over those three years and average annual ROCE of 23-27% over those three years	10 years
Executive Share Option Scheme 20	April 2017	Senior employees	£10.33	246,219	Three years' service and EPS growth of 5-11% on average over those three years	10 years
Performance Share Plan 9	March 2018	Senior executives	£nil	190,943	Three years' service, EPS average annual growth of 5-11% over those three years and average annual ROCE of 25-29% over those three years	10 years
Executive Share Option Scheme 21	March 2018	Senior employees	£11.97	228,923	Three years' service and EPS growth of 5-11% on average over those three years	10 years
Savings-Related Share Option Scheme 19	April 2018	All employees	£9.54	335,482	Three years' service	3.5 years
Performance Share Plan 10	April 2019	Senior executives	£nil	128,534	Three years' service, EPS average annual growth of 5-11% over those three years and average annual ROCE of 24-28% over those three years	10 years
Executive Share Option Scheme 22	April 2019	Senior employees	£18.30	140,913	Three years' service, EPS average annual growth of 5-11% over those three years and average annual ROCE of 24-28% over those three years	10 years
Savings-Related Share Option Scheme 20	April 2019	All employees	£14.84	230,604	Three years' service	3.5 years



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	Date of grant	Employees entitled	Exercise price	Number of shares granted	Vesting conditions	Contractual life
Savings-Related Share Option Scheme 21	April 2020	All employees	£14.24	239,673	Three years' service	3.5 years
Performance Share Plan 11	October 2020	Senior executives	£nil	166,366	Three years' service, EPS performance in FY2022, ROCE performance in FY2022 and two strategic objectives	10 years
Executive Share Option Scheme 23	November 2020	Senior employees	£17.20	121,202	Three years' service, EPS performance in FY2022, ROCE performance in FY2022 and two strategic objectives	10 years
Savings-Related Share Option Scheme 22	April 2021	All employees	£16.72	291,979	Three years' service	3.5 years
Performance Share Plan 12	April 2021	Senior executives	£nil	120,022	Three years' service, EPS performance in FY2023, ROCE performance in FY2023	10 years
Performance Share Plan 12 (retained)	April 2021	Senior executives	£nil	29,512	Three years' service	10 years
Executive Share Option Scheme 24	April 2021	Senior employees	£22.63	120,994	Three years' service, EPS performance in FY2023, ROCE performance in FY2023	10 years
Savings-Related Share Option Scheme 23	April 2022	All employees	£19.68	265,209	Three years' service	3.5 years
Performance Share Plan 13	March 2022	Senior executives	£nil	91,305	Three years' service, EPS average annual growth of 3-8% over those three years and average annual ROCE of 19.6-22.6% over those three years	10 years
Performance Share Plan 13a	May 2022	Senior executives	£nil	36,014	Three years' service, EPS average annual growth of 3-8% over those three years and average annual ROCE of 19.6-22.6% over those three years	10 years
Executive Share Option Scheme 25	March 2022	Senior employees	£24.31	118,357	Three years' service, EPS average annual growth of 3-8% over those three years and average annual ROCE of 19.6-22.6% over those three years	10 years

The number and weighted average exercise price of share options is as follows:

	2022		2021	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	£9.57	1,973,101	£6.07	2,352,967
Lapsed during the year	£3.17	(391,775)	£10.17	(288,469)
Exercised during the year	£11.23	(272,472)	£7.11	(653,904)
Granted during the year	£15.85	510,885	£13.55	562,507
Outstanding at the end of the year	£9.41	1,819,739	£9.57	1,973,101
Exercisable at the end of the year	£7.44	363,630	£6.76	527,561

No options expired during the period covered by the above tables. The options outstanding at 31 December 2022 have an exercise price in the range of £nil to £24.31 and have a weighted average contractual life of 5.1 years. The options exercised during the year had a weighted average market value of £22.73 (2021: £23.94).



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20. Employee benefits continued

Share-based payments – Group and Parent Company continued

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes model for all Savings-Related Share Option Schemes and Executive Share Option Schemes and for Performance Share Plan options granted from 2014 onwards. The fair value per option granted and the assumptions used in these calculations are as follows:

	2022				2021			
	Performance Share Plan 13 March 2022	Performance Share Plan 13a May 2022	Executive Share Option Scheme 25 March 2022	Savings-Related Share Option Scheme 23 April 2022	Performance Share Plan 12 April 2021	Performance Share Plan 12 (retained) April 2021	Executive Share Option Scheme 24 April 2021	Savings-Related Share Option Scheme 22 April 2021
Fair value at grant date	£23.34	£20.04	£7.64	£8.33	£21.08	£21.08	£6.43	£7.40
Share price	£24.99	£21.68	£24.99	£23.50	£22.72	£22.72	£22.63	£20.89
Exercise price	£nil	£nil	£24.31	£19.68	£nil	£nil	£22.63	£16.72
Expected volatility	48.75%	48.29%	48.75%	49.00%	49.17%	49.17%	49.17%	49.17%
Option life	3 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Expected dividend yield	2.28%	2.63%	2.28%	2.43%	2.50%	2.50%	2.50%	2.50%
Risk-free rate	1.38%	1.50%	1.38%	1.64%	0.15%	0.15%	0.15%	0.15%

The expected volatility is based on historical volatility, adjusted for any expected changes to future volatility due to publicly available information. The historical volatility is calculated using a weekly rolling share price for the three-year period immediately prior to the option grant date.

The costs charged to the income statement relating to share-based payments were as follows:

	2022 £m	2021 £m
Share options granted in 2018	-	(1.0)
Share options granted in 2019	0.2	0.6
Share options granted in 2020	0.7	1.2
Share options granted in 2021	1.8	1.4
Share options granted in 2022	0.9	-
Social security contributions	3.6	2.2
Total expense recognised as employee costs	(0.3)	1.6
	3.3	3.8



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21. Provisions

	Group and Parent Company									
	2022 Dilapidations £m	2022 National Insurance £m	2022 Redundancy £m	2022 Other £m	2022 Total £m	2021 Dilapidations £m	2021 National Insurance £m	2021 Redundancy £m	2021 Other £m	2021 Total £m
Balance at start of the year	3.1	2.2	0.2	1.5	7.0	2.7	1.5	0.9	2.3	7.4
Additional provision in the year	1.8	—	—	—	1.8	1.5	1.6	—	—	3.1
Utilised in the year	(0.3)	(0.3)	—	(0.2)	(0.8)	(0.4)	(0.9)	(0.4)	(0.2)	(1.9)
Provisions reversed during the year	(1.0)	(0.3)	(0.1)	(0.3)	(1.7)	(0.7)	—	(0.3)	(0.6)	(1.6)
Balance at end of the year	3.6	1.6	0.1	1.0	6.3	3.1	2.2	0.2	1.5	7.0
Included in current liabilities	2.3	0.9	—	0.4	3.6	2.0	1.6	0.1	0.5	4.2
Included in non-current liabilities	1.3	0.7	0.1	0.6	2.7	1.1	0.6	0.1	1.0	2.8
	3.6	1.6	0.1	1.0	6.3	3.1	2.2	0.2	1.5	7.0

Dilapidation provisions have been made based on the future expected repair costs required to restore the Group's leased buildings to their fair condition at the end of their respective lease terms, where it is considered a reliable estimate can be made.

National Insurance costs are provided in respect of future share options exercises.

Other provisions are largely in respect of onerous costs relating to closed shops where the lease has not yet expired.

The majority of all of the provisions are expected to be utilised between one and four years such that the impact of discounting would not be material.



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22. Capital and reserves

Share capital

	Ordinary shares	
	2022	2021
	Number	Number
In issue and fully paid at start of year – ordinary shares of 2p		
Issued on exercise of share options	101,897,021	101,426,038
	215,560	470,983
	102,112,581	101,897,021

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

During the year 215,560 shares (2021: 470,983) were issued as a result of the exercise of vested options granted to senior management under the Executive Share Option Scheme and the exercise of options under the Savings-Related Share Option Scheme. Options were exercised at an average price of £13.61 (2021: £10.28).

Share premium reserve

The share premium reserve relates to the proceeds received in excess of the nominal value of shares issued, net of any transaction costs.

Capital redemption reserve

The capital redemption reserve relates to the nominal value of issued share capital bought back by the Company and cancelled.

Own shares held

Deducted from retained earnings is £59.7 million (2021: £48.9 million) in respect of own shares held by the Greggs Employee Benefit Trust. The Trust, which was established during 1988 to act as a repository of issued Company shares, holds 866,312 shares (2021: 375,694 shares) with a market value at 31 December 2022 of £20.3 million (2021: £12.5 million) which have not vested unconditionally in employees. During the year the Trust purchased 546,286 (2021: 330,693) shares for an aggregate consideration of £11.0 million (2021: £10.0 million) and sold 55,668 (2021: 182,921) shares for an aggregate consideration of £nil (2021: £0.3 million).

The shares held by the Greggs Employee Benefit Trust can be purchased either by employees on the exercise of an option under the Greggs Executive Share Option Schemes, Greggs Savings-Related Share Option Scheme and Greggs Performance Share Plan or by the trustees of the Greggs Employee Share Scheme. The trustees have elected to waive the dividends payable on these shares.



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Dividends

The following tables analyse dividends when paid and the year to which they relate:

	2022 Per share pence	2021 Per share pence
2021 interim dividend	-	15.0p
2021 special dividend	40.0p	-
2021 final dividend	42.0p	-
2022 interim dividend	15.0p	-
	97.0p	15.0p

The proposed final dividend in respect of 2022 amounts to 44.0 pence (£44.9 million). These dividends are not included as a liability in these accounts.

	2022 £m	2021 £m
2021 interim dividend	-	15.3
2021 special dividend	40.6	-
2021 final dividend	42.7	-
2022 interim dividend	15.2	-
	98.5	15.3

23. Capital commitments

During the 52 weeks ended 31 December 2022, the Group entered into contracts to purchase property, plant and equipment and intangible assets for £45.5 million (2021: £16.3 million) which are expected to be settled in the following financial year.



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24. Related parties

Identity of related parties

The Group has a related party relationship with its subsidiaries (see Note 12), Directors and executive officers, and pension schemes.

Trading transactions with subsidiaries – Group

There have been no transactions between the Company and its subsidiaries or associates during the year (2021: none).

Trading transactions with subsidiaries – Parent Company

	Amounts owed to related parties		Amounts owed by related parties	
	2022 £m	2021 £m	2022 £m	2021 £m
Dormant subsidiaries	7.8	7.8	–	–

The Greggs Foundation is also a related party and during the year the Company made a donation to the Greggs Foundation of £2.2 million (2021: £1.2 million), as well as passing on £0.2 million (2021: £0.1 million) raised from the sale of carrier bags and £0.4 million (2021: £0.3 million) raised from the sale of products. The Greggs Foundation holds 300,000 shares (2021: 300,000 shares) in Greggs plc and Richard Hutton, a Director of Greggs plc, is a trustee of the Greggs Foundation.

Transactions with key management personnel

Details of Directors' shareholdings, share options, emoluments, pension benefits and other non-cash benefits can be found in the Directors' remuneration report on pages 78 to 100.

Summary information on remuneration of key management personnel is included in Note 4.



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25. Contingent asset

In October 2021 the Company issued legal proceedings against its insurer regarding a Covid-19 business interruption claim. An interim payment was received in January 2021 from the insurer in the sum of £2.5 million. This was recognised as income in the results for the 53 weeks ended 2 January 2021, representing the alleged limit of the insurer's liability based on there being only one limit available for the single event, which allegedly caused all of the Company's business interruption losses. Having taken legal advice the Company pursued a claim in the High Court, on the basis that there were multiple events, which caused the Company's business interruption losses, namely the various changes in Covid-related restrictions to which separate £2.5 million caps would apply. In October 2022 the High Court largely ruled in the Company's favour. However the ruling stated that only material changes in restrictions would provide additional £2.5 million insurance limits. Aspects of the ruling have been appealed to the Court of Appeal by both the Company and its insurer. It follows that it's not virtually certain that there will be an inflow of economic benefits and consequently in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets no amount has been recognised as at 31 December 2022. Due to the subjective determination as to what constitutes a "material change" in restrictions, and given the appeals being made by all parties, the final quantum is not ascertainable at the date of these accounts. Consistent with the prior year a contingent asset is disclosed as it is considered more likely than not that the claim will result in an inflow of economic benefit.



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TEN-YEAR HISTORY

		2013	2014 (as restated) ^{1,3}	2015 ¹	2016	2017	2018	2019 ^{5,7}	2020 ¹	2021 ¹	2022
Turnover (£m)		762.4	806.1	835.7	894.2	960.0	1,029.3	1,167.9	811.3	1,229.7	1,512.8
Total sales growth/(decline)(%)		3.8%	5.7%	3.7%	7.0%	7.4%	7.2%	13.5%	(30.5%)	51.6%	23.0%
Company-managed shop like-for-like sales growth/(decline)(%)		(0.8%)	4.5%	4.7%	4.2%	3.7%	2.9%	9.2%	(36.2%)	52.4%	17.8%
Profit/(loss) before tax(PBT) excluding exceptional items (£m)		41.3	58.3	73.1	80.3	81.7	89.8	114.2	(12.9)	145.6	148.3
PBT margin excluding exceptional items(%)		5.4%	7.2%	8.7%	9.0%	8.5%	8.7%	9.8%	(15.9%)	11.8%	9.8%
Pre-tax exceptional charge (£m)		(8.1)	(8.5)	-	(5.2)	(9.9)	(7.2)	(5.9)	(0.8)	-	-
Profit/(loss) on ordinary activities including exceptional items and before tax (£m)		33.2	49.7	73.0	75.1	71.9	82.6	108.3	(13.7)	145.6	148.3
Diluted earnings/(loss) per share excluding exceptional items(pence)		30.6	43.4	55.8	60.8	63.5	70.3	89.7	(12.9)	114.3	117.5
Dividend per share declared(pence)		19.5	22.0	48.6 ⁴	31.0	32.3	35.7	46.9 ⁶	-	97.0 ⁸	59.0
Total shareholder return(%)		0.6%	69.7%	87.1%	(23.8%)	47.5%	(7.4%)	87.5%	(22.0%)	87.3%	(27.9%)
Capital expenditure (£m)		47.6	48.9	71.7	80.4	70.4	73.0	86.0	58.7	57.4	110.8
Return on capital employed(excluding exceptional items)(%)		16.4%	22.4%	26.8%	28.1%	26.9%	27.4%	20.0%	(2.4%)	23.0%	21.0%
Number of shops in operation at year end		1,671	1,650	1,698	1,764	1,854	1,953	2,050	2,078	2,181	2,328

1 2014 and 2020 were 53 week years, impacting on total sales growth for that year and the year immediately following

2 Restated following the adoption of IAS19(Revised)

3 Restated to include revenue in respect of franchise fit-out costs

4 Includes a special dividend of 20.0 pence paid in 2015

5 IFRS 16 leases was implemented at the start of the financial year using the modified retrospective approach. Prior year comparatives have not been restated

6 Includes a special dividend of 35.0 pence. The final dividend declared in respect of 2019 was cancelled as a cash preservation measure during the Covid-19 crisis

7 Restated for a change in accounting policy relating to deferred tax

8 Includes a special dividend of 40.0p

All of the non-GAAP measures detailed above can be calculated from the GAAP measures included in the annual accounts with the exception of those detailed pages 157 and 158.



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ALTERNATIVE PERFORMANCE MEASURES

Calculation of alternative performance measures

Like-for-like (LFL) sales growth – compares year-on-year cash sales in our company-managed shops, with a calendar year's trading history and is calculated as follows:

	2022 £m	2021 £m
Current year LFL sales	1,239.8	981.5
Prior year LFL sales	1,052.2	643.9
Growth in LFL sales	187.6	337.6
LFL sales growth percentage	17.8%	52.4%

Return on capital employed – calculated by dividing profit before tax by the average total assets less current liabilities for the year.

	2022 £m	2021 £m
Profit before tax	148.3	145.6
Capital employed:		
Opening	681.5	585.6
Closing	730.3	681.5
Average	705.8	633.6
Return on capital employed	21.0%	23.0%

Net cash inflow from operating activities after lease payments – calculated by deducting the repayment of principal of lease liabilities from net cash flow from operating activities

	2022 £m	2021 £m
Net cash inflow from operating activities	251.5	285.5
Repayment of principle of lease liabilities	(52.7)	(49.0)
Net cash inflow from operating activities after lease payments	198.8	236.5



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ALTERNATIVE PERFORMANCE MEASURES CONTINUED

Ratio of IFRS 16 'right of use' charges on leased property assets to company-managed shop sales – calculated by dividing land and buildings right-of-use asset charges by company-managed shop turnover

	2022 £m	2021 £m
Company-managed shop turnover (see Note 1)	1,352.3	1,098.2
Land and buildings right-of-use assets depreciation (see Note 10)	51.6	47.7
Land and buildings right-of-use assets interest charge (see Note 10)	6.8	6.3
Right-of-use asset charges	58.4	54.0
	4.3%	4.9%



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