

STRATEGIC REPORT *(continued)*

- **Cyber Crime:** As with almost every business, we hold both the title to numerous assets, and the details of our customers electronically, all of which needs to be safeguarded from the risk of loss or theft. To protect against this risk we have a range of cyber security systems, tools and protection in place across our technology network, as well as a suite of data protection training for everyone working in our business. We regularly and frequently look at how we can improve and enhance those cyber security protections, while we also have insurance policies in place to help mitigate the effects of these risks were they to crystallise; however, cyber crime will unfortunately remain a point of focus for as long as the business depends on technology.
- **Bribery** (e.g. to clear customs or obtain allocations): Through our strong relationships with producers and suppliers, we have access to exceptionally rare fine wine and spirits items. We then give our customers access to those rare items. Any situation involving allocating scarce items involves the risk of people seeking to use undue influence, favours and even bribes to obtain access to those scarce items. We then need to move those rare items internationally, which also raises the risk of certain people seeking favours or bribes to facilitate those products crossing borders as speedily as possible. We protect against those bribery risks through appropriate communication, training and reporting mechanics that apply across our entire business to ensure that our colleagues are informed and clear on what is the right thing to do and what to watch out for, and our given the backing to ensure that they resist, reject and report any such instances.
- **Money laundering:** we are selling high value assets to customers for cash and then enable them to quickly sell those assets onto third parties via our BBX broking exchange. Our investigatory systems and employee training programmes ensure we remain vigilant in checking both the identity of our customers, and the initial source of the monies we receive, to be comfortable that the sale is not part of a money laundering attempt.
- **Climate Change:** grapes and grain depend upon very specific climatic conditions to grow and become the fine wine & spirits that we specialise in. The emission of CO2 and other greenhouse gases from human activity is fundamentally changing those climatic conditions, creating a climate emergency that is bringing extreme frosts, floods and wildfires to regions that are critical to our industry. Tackling the risk of climate change is one of the biggest challenges every business faces and is at the heart of why we have set a new sustainability strategy and 2030 goal to be net carbon zero and plastic free by 2030.

The following more general business risks have also been considered:

Liquidity Risk

There is a risk that an entity will encounter difficulty in raising funds to meet commitments associated with liabilities as they fall due. As at 31 March 2021, BB&R has a revolving line of credit secured on UK inventory to manage cash requirements. Hotaling & Co has in place a dollar denominated revolving line of credit secured on inventory and trade debtors. The Company maintains strong relationships with banks and has further strengthened stock management, debtor management and cash planning routines.

Economic Risk

In the light of the Covid-19 pandemic, there is a risk that a downturn in the economy may negatively impact the operations of the Company. The Company has a varied customer base, trading with both private individuals and business and trade customers, across the globe which helps manage this risk, with different customer groups being impacted at different points of an economic cycle. Furthermore, in a downturn, fine wine has been shown to hold its value without correlation to the wider economy and this has supported the Company's ability to continue trading.

BB&R LIMITED

REPORT OF THE DIRECTORS (*continued*)

Shareholders

All shareholders are able to ask questions at our Annual General Meeting and other meetings held throughout the year. We hold family board meetings each quarter in which shareholders are able to raise concerns and directors' can seek their input on key strategic decisions.

Suppliers

The Directors recognise the vital role producers play in ensuring our long-term success and the continued delivery of outstanding quality to our customers. The scaling back of our Agency business during the year has helped us better serve a smaller number of existing suppliers. The Directors focus is toward family businesses as well as businesses with a focus on sustainability, creating a deeper long term relationship with those who share common goals and produce incredible wines.

Community and environment

Tackling the risk of climate change worsening is one of the biggest challenges every business faces and the Directors recognise the long-term impact of business operations on the community and environment. During the year a new Sustainability Director has been appointed to support the Directors in addressing the areas where the Company currently has most environmental and social impacts. Looking at our business and the industry we work in, the two biggest impacts are CO₂ and plastic. This is at the centre of why we have set a new sustainability strategy and 2030 goal to be net carbon zero and plastic free by 2030. The Directors also had regard to the community through supporting the Charity Committee and fundraising events undertaken by employees, customers and suppliers. This year our "The King's Ginger" liqueur has become a member of '1% for the planet' and supporter of the Prince's Countryside Trust where 10% of the profits from The Kings Ginger will be donated. Further details on the actions the business has taken to address its environmental and social impacts can be found in our 2021 Sustainability Report.

Streamlined Energy and Carbon Reporting

Berry Bros. & Rudd. have been publicly reporting our emissions in line with UK mandatory greenhouse gas reporting regulations since FY2018. Following the introduction of the streamlined energy and carbon reporting requirements we will continue to publish our energy consumption and associated carbon emissions in our annual report accordingly.

The emissions reported include those created by Berry Bros. & Rudd Limited, BB&R Limited and BB&R US Limited as these companies are located within the same buildings and so the emissions per each individual company are not readily distinguishable.

Energy use type	FY2020 consumption (kWh)	FY2021 consumption (kWh)	FY2020 emissions (tonne CO ₂ equivalent)	FY2021 emissions (tonne CO ₂ equivalent)
Generator diesel use	6,881	11,958	2	3
Gas use in buildings	118,336	66,034	24	13

REPORT OF THE DIRECTORS *(continued)*

Car business travel	261,751 km	23,238 km	47	4
Refrigerant Gases	38 kg	6 kg	78	11
Delivery Fleet	884,695 km	815,368 km	223	196
Scope 1 Total	125,217	77,992	374	227
Electricity use in buildings	1,768,028	1,579,681	390	282
Scope 2 Total	1,768,028	1,579,681	390	282
Business Travel (flights & rail travel)	1,002,548 passenger.km	21,559 passenger.km	189	4
Electricity T&D	1,768,028	1,579,681	38	30
Scope 3 Total	1,768,028	1,579,681	227	34
Total	3,661,273	3,237,354	991	543

In order to facilitate year on year comparison of emissions, taking into account fluctuations in activity level, Berry Bros. & Rudd have calculated the intensity ratio of emissions per UK revenue and UK full time employee (FTE). This is based on £163,684,000 (2020: £175,753,000) million revenue and 353 FTE (2020: 377). The emissions per crate of wine imported have also been calculated as a measure of emissions per the company's activity level. This is based on 619,851 crates.

	Emissions per turnover FY2020/21 (tonne CO₂ equivalent per £million)	Emissions per UK FTE FY2020/21 (tonne CO₂ equivalent per FTE)	Emissions per crate of wine imported (tonne CO₂ equivalent per 1000 cases)
Scope 1 and Scope 2	3.1	1.4	0.00082
Total emissions	3.3	1.5	0.00088

Energy efficiency action taken

During the last year, we have continued to look to improve our energy efficiency across our entire business. Our energy usage comes primarily from three sources: our buildings; our deliveries; and the glass that our products come in.

REPORT OF THE DIRECTORS *(continued)*

Across our portfolio of buildings, our roll-out of PIR motion sensor-controlled LED lighting now extends across all warehousing, offices, and venues, bringing an efficiency saving of 18% over the previous compact fluorescent lighting. All of our electricity for our buildings is now from 100% renewable sources, including from our own 250kw solar system on the roof of our Basingstoke warehouse. We've continued our efforts to encourage all staff to look out for opportunities to reduce energy consumption at the site they work in and, most importantly, we've also approved plans to build a new state of the art warehouse that will be self-sufficient on power, via an extensive solar panel array on its roof. Construction of this warehouse is already underway, and it should be operational next year.

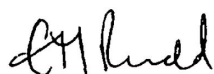
On our deliveries, we have instigated manual route planning, used telematics to monitor driver speed, and consolidated deliveries, all to increase the fuel efficiency of our deliveries. We've introduced our first electric vehicle into our fleet and have installed a charging point at our Basingstoke site. We've also used sea freight, rather than air transport, whenever viable. With regards to the glass that we use, all our own spirits brands are now in bottles made from 40% recycled glass, reducing the amount of energy needed to make them.

Methodology used for carbon footprint calculation

Since FY2017 Berry Bros. & Rudd have been using Ricardo Energy and Environment (an environmental consultancy firm) to calculate our carbon footprint. Our carbon footprint has been calculated using a methodology aligned with the principles of the Greenhouse Gas Protocol (GHG) Standard for Corporate Accounting and Reporting produced by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI) – a globally recognised standard. The GHG Protocol Standard is one of the recommended methodologies under SECR guidelines. The footprint utilises UK Government conversion factors for the year of reporting. For energy use where figures were not already in kWh, these have been converted to kWh using their density and Gross calorific value taken from the UK government GHG conversion factors fuel properties tab for the year of reporting.

The data captured within this year's carbon footprint calculation has predominantly been derived from invoices from energy suppliers. Additional data such as refrigerant use has been captured within engineer's reports. Carbon emissions emitted from vehicles owned by Berry Bros & Rudd have been calculated based on the total number of miles driven by each vehicle and for car use, where fuel is reimbursed, mileage has been captured through expense claims. Flight and rail data was captured in passenger kilometres from reports from Berry Bros & Rudd's travel provider.

By Order of the Board



E. M. Rudd
Director

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27 October 2021

Registered in England No. 05492886