

Kober Limited
Section 172 statement

The following sections serve as our section 172 statement. Section 172 of the Companies Act 2006 recognises that whilst companies are run for the benefit of shareholders, a business’s long-term success and reputation are dependent upon maintaining relationships with stakeholders and an appreciation of the external impact of its activities.

The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006 and are keen to ensure proper reflection on stakeholder engagement and opportunities for development at Board level.

The Board regularly reviews the business’s principal stakeholders and how we engage with them. The sections below set out a more detailed summary of the Company’s relationships with its key stakeholders and how the business engages with those stakeholders together with a discussion as to how the Board considers other s.172 factors.

The Board of Kober is comprised of the Managing Director, Group Legal Director, Group Financial Director, Group Operations Director, Group IT Director, Group People Director and Plant Operations Manager. The Board meets on a monthly basis. In addition to the scheduled programme of Board meetings, the Board and wider senior management team meet weekly, during which feedback from various business units with particular focus on specific stakeholder groups is fed back to the wider Board.

The outcome of stakeholder engagement and consideration of other s.172 factors, as fed back to the Board through the meetings above, influences the formulation and ongoing review of the long-term strategy and financial planning to ensure that the Company continues to deliver sustainable returns and promotes reputational reward. The Directors aim to take the needs and priorities of each stakeholder group into account as part of their decision-making processes, recognising that the pertinence of a particular stakeholder group may vary depending upon the matter under discussion.

Key stakeholder engagement and consideration of s.172 factors

Investor engagement – International Procurement and Logistics Limited (“IPL”)

Corporate governance policies and procedures are in place which provide for a continuous and structured dialogue between IPL and the Board of Kober, including regular visits and appropriate corporate governance sign-off procedures. In addition, the Managing Director, Group Finance Director, Group Legal Director, Group Operational Director and Group People Director all sit on the Operational Board of IPL.

Why we engage this stakeholder?	How we engage and key outcomes
Our parent company, IPL, is the provider of investor capital. Their investment enables Kober to fund growth and deliver long-term success.	The Kober Board engage with IPL on significant capital projects and contractual commitments. Principal investments in the year have been projects to improve efficiency of production, improve data integrity and reduce product waste.
As a wholly-owned subsidiary, IPL requires Kober to deliver a return on their investment.	Four of IPL’s Board members have been appointed to the Board of Kober, and are therefore engaged with principal decision making on strategy, governance and performance. Regular interaction between Kober Directors, Kober Management and relevant IPL stakeholders takes place in regular trading meetings to review performance, with joint strategy days take place to align longer term goals.
As part of ensuring compliance with key legal, ethical and financial regulations, Kober engages directly with IPL, and its parent company, ASDA, on these matters.	Certain functions in Kober - including Finance and Compliance – are subject to oversight by IPL and ASDA. This oversight includes formal testing and reporting on compliance, such as reporting on anti-bribery controls under the UK Bribery Act and the Foreign Corrupt Practices Act (“FCPA”); and reporting on any breaches of Walmart/ASDA’s Ethics guidance.

Compliance with IPL risk management policies enables Kober to safeguard the Company and promote its long-term sustainability.	The Kober Board work closely with IPL to ensure that all relevant Walmart policies are embedded throughout the IPL Group, including Anti-Corruption, Trade Sanctions, Ethics and Capital Management policies.
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Interests of the Company's employees

The Group People Director oversees colleague engagement and ensures that the results of the employee engagement mechanisms referred to below are provided to the Board.

How we have regard to this matter	What we do and key outcomes
We need to ensure ongoing success of the operation by having engaged and capable colleagues.	<p>The Kober Board promote the appraisal and talent management process, which provides colleagues with both support and feedback in order to benefit their development.</p> <p>Colleague engagement is maintained through open communication to share information about the business. The Kober Board provide a business update and key messages to colleagues through a weekly "Snapshot" presentation.</p>
We believe in creating an inclusive culture and providing required support to our colleagues	<p>Kober is an equal opportunities employer and ensures that selection, training, development and promotion is accessible and inclusive to all.</p> <p>Kober Board champion quarterly awareness campaigns to support colleagues, including topics such as modern slavery and post-Brexit implications for EU colleagues.</p> <p>A graduate placement scheme is in place across a range of different disciplines such as finance, operations and trading to provide a broad introduction to the workplace for new graduates and encourage diversity across our operation.</p>

Supplier engagement

The trading team, under the direction of the Supply Chain Manager, engage directly with key suppliers and bring supplier views into the Board meetings through the channels outlined below.

Why we engage this stakeholder?	How we engage and key outcomes
<p>We aim to maintain trust and engagement with our supplier base. We have clear communication channels to ensure our suppliers views are heard.</p> <p>Our suppliers are central to improving our logistical expertise and capability.</p>	<p>Kober complies with the Grocery Supplier Code of Practice ("GSCOP") to ensure it is operating on terms that are mutually agreed and in line with GSCOP requirements. Every year ASDA submits an annual compliance report, which includes Kober, to the Competition and Markets Authority (the "CMA") and the Groceries Code Adjudicator (the "GCA") to detail our compliance with GSCOP, any alleged breaches of GSCOP and any disputes with suppliers</p>
We work with our suppliers to improve quality and cost of supplies and drive efficiency of supply chain.	<p>The Kober Board have continued to focus on delivering "payment on time" for suppliers. Performance is measured on a monthly basis, which enables areas of concern to be identified so that they can be resolved on a timely basis.</p> <p>Walmart operate a responsible sourcing programme that the Kober Board adopt, this gives suppliers access to training material on ethical and social compliance related subjects.</p>

Customer engagement

Kober's principal customer is ASDA, so the Kober Board focus on improving the value, quality and availability of our products as well ensuring that Kober remain ASDA's lowest cost, sustainable supply chain solution. Our sustainable sourcing model supports ASDA's mission to help their customers to save money and live better lives.

Why we engage this stakeholder?	How we engage and key outcomes
<p>Providing ASDA's customers with a good value, high quality product is critical to ensuring long term success for the Kober business.</p>	<p>The Kober Board monitors external data on the prices of key product lines and works to category-specific targets, agreed with ASDA, for pricing against ASDA's key competitors. This helps the board identify areas to drive targeted value improvements.</p> <p>Throughout 2019 the Kober Board have invested in driving efficiency in our supply chain to ensure the time taken for produce to get from the farmer to the ASDA customer is as quick as possible.</p> <p>ASDA customer complaints associated with products supplied by Kober are monitored by the Kober Board and used to drive quality improvements.</p> <p>We consider the demands of the ASDA customer in the products we sell, including reducing pack sizes of bacon.</p>

Maintaining a reputation for high standards of business conduct

The Technical Manager, under the direction of the Group Legal Director, ensures that Kober comply with relevant regulation and appropriate consideration is given to these regulations in board discussions.

How we have regard to this matter	What we do and key outcomes
<p>Compliance with regulatory frameworks safeguards our business and builds trust.</p>	<p>All of our IPL, Forza and Kober sites are BRC (British Retail Consortium) accredited to A* or above. All but one of our sites has gone through BRC V8 (new standard) which launched in February 2019.</p> <p>All Kober Directors complete mandatory health and safety training every two years. Directors are also encouraged to take part in health and safety "walkabouts" across all or our operational sites, in order to engage with colleagues and impress the importance of health and safety.</p>

Impact of the Company's operations on the environment

The Board is aware of the importance of environmental responsibility and the impact that Kober can have on the environment. The Directors have promoted the continued acceleration of innovation and focus in this area to reduce detrimental impacts on the environment and promote sustainability.

How we have regard to this matter	What we do and key outcomes
<p>Kober have a responsibility to minimise the adverse impact our business activities have on the environment, which will also prevent long-term damage to our reputation.</p>	<p>The Kober Board have set targets across our sites to reduce our use of energy and water. The business as a whole works hard to minimise the volume of waste we produce. Food and packaging segregation has been improved by identifying paths to reduce, reuse and recycle wherever possible.</p> <p>The Kober Board are working with suppliers to reduce the amount of plastic packaging used on Kober products and improve recyclability.</p>

Key Significant Projects/Principal Decisions

Investment in financial system

During the year, the Kober Board have approved and supported the ongoing investment in the development of a new financial system, to replace the existing system. The new system is planned to be implemented across the whole IPL Group to improve the control framework, through the introduction of automation, drive consistency of process and integrity of reporting. This investment decision has been made with consideration to the impact on colleagues, suppliers and the long term growth of the company.

Colleagues across the business have been actively engaged in the design and testing of the new system to ensure it is fit for purpose. Where possible, and still retaining a strong control framework, steps have been taken to ensure the new system is intuitive to use, easy to navigate and should use our colleagues time effectively.

The new system will show a clearer audit trail of supplier orders and invoices, ensuring supplier queries can be addressed effectively and commitments tracked through to payment.

Operational colleague bonus scheme

From January 2019 the Kober Board have introduced a monthly bonus scheme for hourly paid operational colleagues. This enabled these colleagues to benefit from any productivity gains generated by the site where they work, improving colleague engagement.

These colleagues previously participated in an annual scheme, however the Kober Board considered it more impactful for colleagues to increase both the frequency of payments, to monthly, and the maximum bonus amount payable by 100%.

Kober Board believe the new operational bonus scheme has driven productivity improvements, which has benefitted our investors, and been beneficial for colleagues.

Supplier engagement

During the year, the Kober Board have continued to work collaboratively with our suppliers and have taken a number of significant steps to continue to strengthen compliance controls. These steps included:

- Strategic small group training to procurement, planning, finance and retail functions.
- New training and tools for Kober colleagues to ensure that written and oral communications to suppliers are clear and unambiguous.
- Monitoring to ensure that the terms agreed with suppliers are fully documented, providing both Kober and suppliers with clarity and confidence.
- Controls and processes to ensure forecasting practices are effective and continue to improve.
- A new claims process to support suppliers by enabling them to challenge where appropriate

Through listening to its suppliers, the Directors know that clarity of communication and clear, agreed processes are valued by suppliers and key to developing collaborative relationships between Kober and our supplier base.