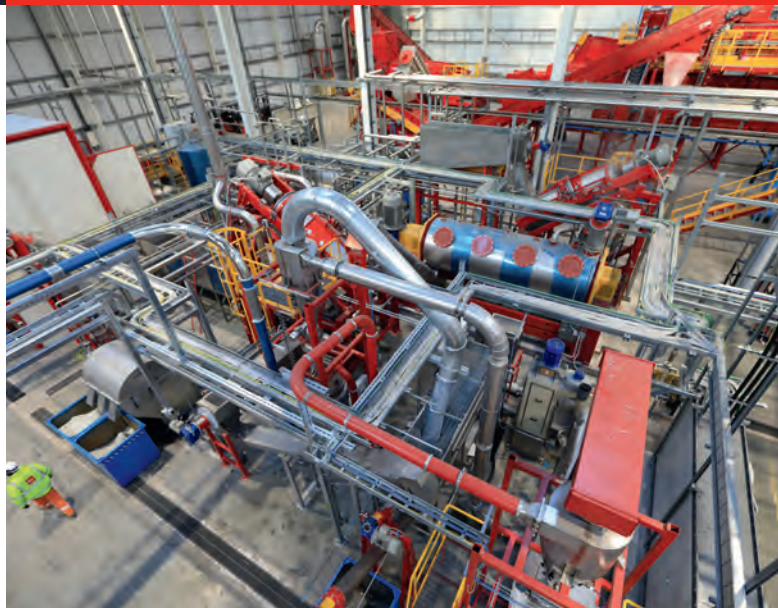




RESILIENT PERFORMANCE

RESOURCEFUL FUTURE



Biffa

WE ARE BIFFA

WE'RE CHANGING THE WAY PEOPLE THINK ABOUT WASTE

We've been leading the UK's waste management industry for over 100 years, and have a strong track record of growing our profits and returns to shareholders, whilst reinvesting to grow our business.

Today Biffa is an established enabler of the UK circular economy and our team of more than 9,000 colleagues carry out essential operations every day including surplus redistribution, recycling, treatment, energy generation, collection and disposal.

Our purpose is 'to change the way people think about waste' and sustainability has been at the heart of our business strategy for many years. Our areas of focus essentially reflect the waste hierarchy – to Reduce, Recycle, Recover and Collect. We have already made huge strides in our sustainability journey by investing in surplus redistribution, plastic recycling, energy from waste infrastructure and low carbon collections, leading to a 70% reduction in our carbon emissions since 2002. Our sustainability strategy, 'Resourceful, Responsible', will see us unlock £1.25bn of investment in vital green economy infrastructure by 2030¹, of which £1bn has already been unlocked, while further reducing our carbon emissions by 50% by 2030. We aim to have net zero emissions by no later than 2050.

We understand that we must lead by example and are committed to further improving health, safety and wellbeing in our sector. We are proud to have been awarded a 5 star grading by the British Safety Council. We have also made strong progress in making sure Biffa is an inclusive place to work where diversity is championed and our >9,000 strong workforce feel valued and understand the positive contribution they make to enabling the UK circular economy.

Our long-standing Biffa Award programme supports sustainable projects across the UK which deliver environmental benefits while making a valuable contribution to local communities. Our partnership with WasteAid helps countries in the developing world with managing their waste more sustainably.

Biffa is a Great British Company, listed on the London Stock Exchange (LSE:BIFF) and a member of the FTSE 250. That's just a bit about us. To find out more, visit: www.biffa.co.uk/investors

1. Unlocking £1.25bn of circular economy investment refers to Biffa's investment plans set out in our sustainability strategy, including low carbon collections, plastics recycling and energy from waste.

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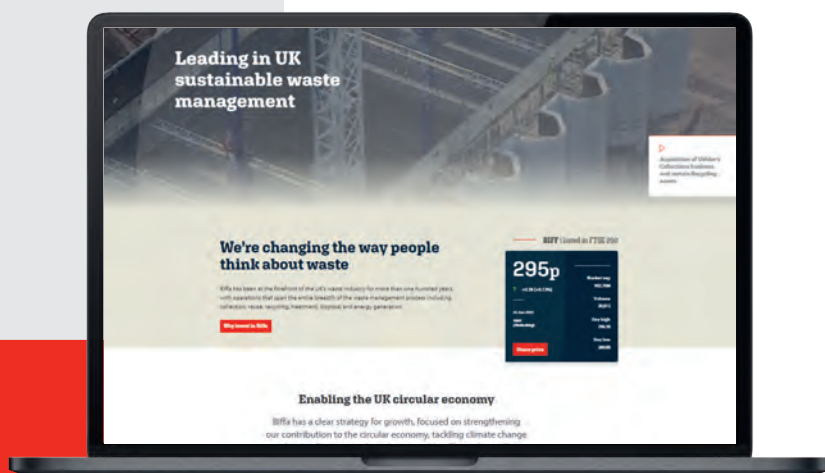
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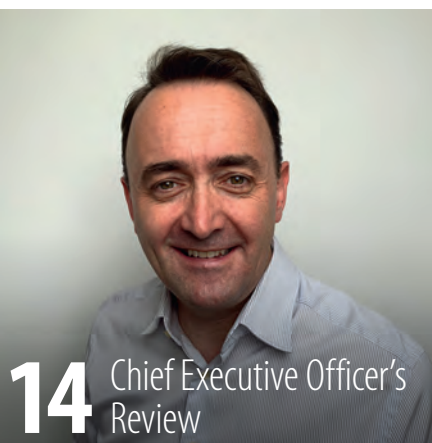
Our new Investor Relations and Sustainability website pages launched in June 2021.

Visit www.biffa.co.uk/investors
Visit www.biffa.co.uk/sustainability



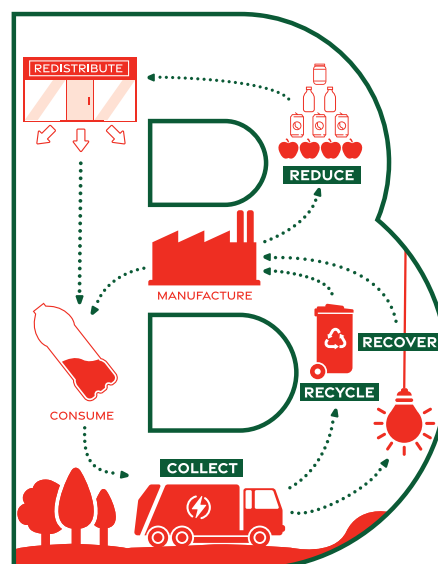
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FINANCIAL HIGHLIGHTS

The Covid-19 pandemic has had a material impact on our financial results; however we are well positioned for post-pandemic recovery in FY22, thanks to the measures we have taken and investments we have made.

+ Read more: see pages 42 – 45

Statutory Revenue

(£m)

£1,042.0m

2021	1,042.0
2020	1,163.1
2019	1,091.2

Net Revenue¹

(£m)

£988.1m

2021	988.1
2020	1,102.8
2019	1,030.8

Cash generated from operations³

(£m)

£134.5m

2021	134.5
2020	193.8
2019	133.0

Leverage Ratio²

(x)

3.3x

2021	3.3
2020	2.4
2019	2.1

Reported Net Debt

(£m)

£(456.8)m

(456.8)	2021
(425.5)	2020
(310.7) ⁸	2019

Statutory Earnings/(Loss) per Share

(pence)

(13.7)p

(13.7)	2021
	2020
	18.3
	2019
	7.2

SUSTAINABILITY HIGHLIGHTS

Operating Profit excluding adjusting items³

(£m)

£44.2m

2021	44.2
2020	90.5
2019	81.7

Statutory Profit/(Loss) after Tax

(£m)

£(40.5)m

(40.5)	2021
	2020 45.6
	2019 18.0

Earnings per Share excluding adjusting items³

(pence)

7.7p

2021	7.7
2020	23.1
2019	20.6

Lost Time Injury Rate⁴

0.41

2021	0.41
2020	0.23
2019	0.39

CO₂e Emissions (Scope 1&2)⁵

(kt)

533kt

2021	533
2020	647
2019	747

Employee Engagement⁶

(%)

59%

2021	59
2020	58
2019	58

Total Plastics Recycling Capacity⁷

(kt)

120kt

2021	120
2020	120
2019	63

For technical terms and abbreviations please refer to the glossary on pages 191 – 192.

1. Net Revenue excludes Landfill Tax charges of £53.9m.
 2. Leverage Ratio compares the Reported Net Debt of £456.8m against EBITDA excluding adjusting items of £138.2m.
 3. Performance measures excluding adjusting items are Alternative Performance Measures (APMs) in addition to those reported under IFRS. These APMs are also used to enhance the comparability of information between reporting periods and the Group's divisions, to aid the user in understanding the performance of the business.
 4. Lost Time Injury Rate refers to the number of lost time injuries relative to the number of employees calculated over a specified time period. Our LTI rate increased as a result of an increase in slips, trips and falls across the business. See page 64.
 5. CO₂e emissions have reduced by 29% from our 2019 sustainability strategy benchmark. See pages 50 and 63.
 6. Our employee engagement score improved by 1% to 59%, which is 3% above the UK average. See page 66.
 7. Our plastics recycling capacity has doubled to 120kt from our 2019 sustainability strategy benchmark. See page 48.
8. Calculated on a pre-IFRS 16 basis.

WE'RE CHANGING THE WAY PEOPLE THINK ABOUT WASTE

Vision and strategy

Our vision is simple – to lead the way in UK sustainable waste management. We wish to lead in business performance and returns, innovation, reputation and in how we tackle broader societal issues relevant to our industry.

Sustainability is right at the heart of our strategy as we evolve our role as a key enabler of the UK circular economy.

Our strategy is structured around three pillars where our impact can create the most value:

- **Building a circular economy.**
- **Tackling climate change.**
- **Caring for our people, supporting our communities.**

With a focus on four investment areas in line with the waste hierarchy:

- **Reduce** – To pioneer and operate the UK's leading waste reduction and surplus produce redistribution services.
- **Recycle** – To develop recycling solutions which strengthen the UK circular economy.
- **Recover** – To invest in energy from waste infrastructure as a low carbon alternative to landfill for our customers' waste that can't be recycled.
- **Collect** – To build the UK's largest, most efficient, low carbon waste and recycling waste collection operation.

+ See pages 22 – 27 for more information.

Our divisions



Collections division

1. I&C	£495.5m
2. Municipal	£182.1m
3. Specialist Services ¹	£92.4m

Total Net Revenue	£770.0m
EBITDA excluding adjusting items	£109.8m



The Collections division comprises the Industrial & Commercial (I&C), Municipal and Specialist Services businesses. As previously reported, Biffa's legacy Specialist Services business will combine with the Company Shop Group business to form a new Specialist Services division which will be reported from FY22 onwards. You can read more about our new divisional structure on page 21.

Resources & Energy division

1. Recycling	£80.6m
2. Organics	£53.6m
3. Inerts	£44.5m
4. Landfill Gas	£39.4m

Total Net Revenue	£218.1m
EBITDA excluding adjusting items	£40.7m



The Resources & Energy (R&E) division, which includes the Recycling, Organics, Inerts and Landfill Gas businesses, focuses on the treatment, recycling, energy recovery and ultimate disposal of waste.

+ For more information on how our divisions performed this year, read our operating review on pages 36 – 41.

¹ Includes Company Shop Group revenues post acquisition.

Biffa is an established enabler of the UK circular economy, with operations that span the entire breadth of the waste management process including surplus redistribution, recycling, treatment, energy generation, collection and disposal.

Our market

We have a deep and unrivalled understanding of the UK waste market, which comes with over a century of experience.

This, along with our scalable infrastructure, distinguishes us from our competitors and underpins our exciting growth journey ahead.

100+ years

Heritage

No.1

I&C collections

9,000+

Employees

Leader

In industry health and safety performance

c.2,900

Collection vehicles

>95%

UK postcode coverage

Our investment case

1. Leading enabler of the UK circular economy

We are the UK's leading sustainable waste company and have been at the forefront of the waste management industry for more than 100 years.

Today Biffa is an established enabler of the UK circular economy, with operations that span the entire breadth of the waste management process including, surplus redistribution, recycling, treatment, energy generation, collection and disposal.

In February 2021, Biffa acquired Company Shop Group, the UK's leading and largest redistributor of surplus food and household products, strengthening Biffa's leadership position by broadening its offering to customers and operating right at the top of the waste hierarchy.

2. Sustainability at our core

We have an ambitious approach to sustainability. Our sustainability strategy 'Resourceful, Responsible', which aligns to the UN's Sustainable Development Goals, includes big ambitions for unlocking £1.25bn of green economy infrastructure investment and further significant reduction in our carbon emissions.

The great progress we have made in delivering our business strategy, such as our entry into the redistribution and waste reduction space, expanding our plastic recycling operations, building a low carbon collections business through acquisitions, and investing in energy from waste infrastructure will ensure we deliver this plan and enable us to reduce our carbon emissions by a further 50% by 2030.

Our aim is to reach net zero emissions by no later than 2050, in line with Government targets.

3. A business model that unites purpose with profit

Our performance to date, especially through the pandemic, demonstrates the resilience of our model as a provider of essential services. The delivery of our strategic investment programme, including the earnings enhancing acquisition of Company Shop Group, enhances our unique position at the heart of the circular economy. We have exciting growth opportunities ahead, and will continue to invest to build a resilient, more sustainable business, well positioned for a strong post-pandemic future.

4. Strategy for growth

We have continued to deliver on our plan to consolidate the fragmented I&C collections market. Acquisitions are key to our role as the leading collector of business waste in the UK, enjoying sector-leading margins and returns on capital. We have invested £223m in I&C acquisitions since IPO in 2016.

In May 2021, we announced an agreement to acquire the Collections business and certain Recycling assets from Viridor Waste Management Limited for a cash consideration of c.£126m. This acquisition will expand Biffa's I&C collections business and recycling capabilities while solidifying our leading position in UK sustainable waste management.

We are also continuing to invest heavily in our customer experience, helping us to both attract new customers and give them the best experience once with us.

5. Attractive market dynamics

Our markets are underpinned by long-term growth drivers such as a national move to increase recycling, reduce waste going to landfill and prevent the export of waste. Biffa is well placed to benefit from the Resource and Waste Strategy (RWS) for England and similar strategies put in place by the UK Devolved Administrations, as well as the UK Environment Bill in the next few years.

6. Strong national brand and service delivery

We have a deep and unrivalled understanding of the UK waste market, which comes with over a century of experience. Our strong heritage, brand and reputation, along with our scale, route densities and lower operating costs gives us a competitive edge and makes it challenging for new and existing players to compete with us.

Chairman's Statement



"The pandemic has demonstrated the resilience of the Biffa model and the dedication and the commitment of everyone within the business."

Ken Lever
Chairman

What a year 2020/21 has proven to be. The sustained impact of the pandemic and continuing lockdown measures made it a particularly challenging year. No one would have imagined that by the end of the financial year we would still be responding to the challenges that the pandemic lockdowns have brought for the economy, our business, and our people.

As with most businesses across the globe, Covid-19 undoubtedly tested the resilience of our business model. Around half of our customers were forced to temporarily close at the start of the pandemic particularly in the leisure, hospitality, retail, and construction sectors. As a result, we saw volumes particularly affected in the I&C and Landfill businesses with volume lows; in Q1 of c. 50% compared to pre-pandemic levels, and had to make some material accounting provisions as a result of the impacts of the pandemic on the business.

The pandemic has demonstrated the resilience of the Biffa model and the dedication and the commitment of everyone within the business. The Board is extremely proud of the resourcefulness that the Biffa team has shown, the speed and agility with which they have acted, the inevitable personal sacrifices suffered and the focus on the health and wellbeing of our colleagues and the communities and the customers that we serve. The UK Government's designation of the waste management sector as an essential service and our colleagues as essential workers recognised the significance of the role played by our business for the communities in which we operate.

Business and markets

Given the circumstances, the markets in which we operate held up relatively well. As the year progressed, we became increasingly skilful at adapting our methods of operation and working practices to deal with the inevitable reductions in volume from ongoing lockdowns. Consequently, the negative impact on our business lessened in each successive lockdown such that by the end of the financial year we were able to deliver a very credible overall performance.

Stakeholder engagement and sustainability

The pandemic has provided the impetus for a period of self-reflection for business and for society. This self-reflection has given strength to the growing body of opinion amongst the investor community and society in general that businesses should profit through a meaningful purpose, give greater credence to all stakeholders, and ensure sustainability is embedded in the way that businesses operate.

At Biffa we have long held the view that sustainability is key and that we should take account of all our stakeholders, whilst delivering appropriate financial returns to our shareholders on the investments we make.

We launched our sustainability strategy, 'Resourceful, Responsible', in March 2020 which is built around our purpose of *changing the way people think about waste*. The Board considers sustainability to be of such importance, it established a separate Sustainability

Committee, led by me, to ensure that we give meaningful and consistent focus and support to our sustainability strategy and goals, understand the actions we undertake to achieve those goals and develop relevant and reliable reporting metrics in line with the growing body of standards in this area, to accurately measure our progress towards achieving them.

We are conscious of the need to consider all stakeholders. The health, safety and wellbeing of our colleagues, customers and communities has been of paramount importance during the year, and we have continued to actively support the communities in which we operate through various community projects as well as the continuing support of our charity partnership with WasteAid.

Our people

One of the challenges of the pandemic has been and remains the restrictions placed on the mobility around the business. This has limited the ability of the Non-Executive Directors to visit various locations, as would be the norm, and to meet our colleagues. Although much can be achieved through remote working, it is difficult to embrace the culture exhibited in the business from behind a computer screen. However, despite the challenges, it is clear that the culture and values of Biffa are well understood by our colleagues as evidenced by the annual engagement and pulse surveys that we undertook which saw positive increases in overall engagement during the year. I am delighted that despite the restrictions on movement, David Martin, our Non-Executive Director for Workforce Engagement, who has Board responsibility for active engagement with our workforce and has joined digital meetings with colleagues to stay in touch.

All our colleagues have made personal sacrifices during this period for which we are immensely grateful. Some have inevitably experienced health challenges and others have regrettably had to be furloughed. For those in work the conditions have often been restrictive at a time when workloads have increased. Our Board, Executive and Leadership teams all took temporary pay reductions as well as a temporary pay freeze for all employees and our bonus schemes for the FY21 period were suspended. The Board and I are very proud of the way in which all our colleagues have performed giving credence to their recognition as essential workers.

Growth strategy and capital investment

Despite the challenges of Covid-19 we continue to make good strategic progress through allocating capital for bolt-on acquisitions in our Collections business, investing further in plastics recycling in Resources & Energy and progressing the energy from waste projects with our joint venture partners.

We continue to seek ways of moving up the waste hierarchy, working with our customers to ensure more efficient waste management, endeavouring to encourage re-use and recycling as part of our role as an enabler of the circular economy and, where re-use and recycling is not practical, to recover energy from waste.



Customer Services team supporting the delivery of our essential services

In February 2021 we were therefore delighted to welcome Company Shop Group (CSG) into the Group. The acquisition is a demonstration of our commitment to economic re-use of surplus products whilst at the same time giving back to the community through the associated social enterprise Community Shop. We believe CSG is a great fit and have been delighted with how quickly the team has settled within Biffa; it will provide us with a real opportunity for growth through effective surplus product re-distribution.

The recent announcement of the agreement to acquire Viridor's Collections business and certain Recycling assets demonstrates how Biffa is expanding its I&C collections business and recycling capabilities and, once completed, when combined with the other investments made in the year, they will provide a strong platform for growth.

Shareholder returns

Inevitably, with the disruption to our markets arising from the Government's actions taken to control and curtail the pandemic, our financial performance was significantly impacted, particularly at the start of the financial year. However, the impact was less than we anticipated when the UK first went into lockdown in March 2020, and despite subsequent lockdowns throughout the year, the business has continued to recover.

We were extremely grateful for the support for the equity raise shown by our existing and new shareholders last June. The funds have enabled Biffa to continue to invest in its growth strategy, accelerating the time when Biffa can return to and exceed its previously established profit and free cash flow growth trajectory. We are conscious of the importance of returning to paying dividends and will continue to review the timing of a dividend reinstatement. We are confident our shareholders' patience and support will be rewarded.

Board

The strength of a Board is highlighted in times of crisis. The successive lockdowns by the government may have had greater impact

on financial performance if it wasn't for the outstanding prompt and decisive actions taken by our CEO and CFO and the supporting Group Executive Team and management throughout the business. During this time, the Board provided a good sounding board and excellent support for the executive team when quick and difficult decisions had to be made.

In September 2020, we said goodbye to Gab Barbaro who, due to a change in his executive role, was prevented from remaining on the Board. We were very sorry to see Gab go as he had made an excellent contribution during his short time with us. Recently we announced the appointment to the Board with effect from 1 April 2021 of Claire Miles, currently the Chief Executive of Yell. Claire is a data scientist by background and will bring to the Board a wealth of strategic and operational experience gained from the roles she has held during her career.

Looking to the future

The business and market disruptions caused by the pandemic highlighted the operational, commercial, and financial resilience of the Biffa business. We were also able to re-examine the way we operate and conduct business and were able to reassess our systems and resource requirements. As a result, we have identified business efficiencies and new ways of working that will further enhance resilience and financial returns in the future.

As we reflect on the strategic progress of Biffa since the IPO in October 2016, we are confident that we have a robust business, with a strong purpose and are well placed for a strong post-pandemic future. We have established leadership positions across waste reduction, recycling, energy recovery and collections and are capable of meeting the needs of our stakeholders and broader society whilst delivering attractive financial returns for our shareholders into the future.

Ken Lever

Chairman
31 May 2021

OPEN, TRANSPARENT AND ENGAGING

Positive relationships with our stakeholders, who have an interest in our business and may be impacted by the decisions we make, are key to our long-term success.

We asked – what matters most?

This year, Biffa carried out a materiality assessment with the dual aims of identifying material sources of Environmental, Social and Governance (ESG) risk and opportunity and informing our sustainability reporting processes. We asked our key stakeholders to rate the 'ESG topics' that matter most to them. These topics were informed by internationally accepted reporting frameworks set out by the Sustainability Accounting Standards Board (SASB) and the Global Reporting Initiative (GRI), sector trends, and investor perceptions.

A list of the most material issues for Biffa, identified via this process, is summarised below:

- Recycling (see pages 24 – 25).
- Health & Safety (see page 64).
- Plastics (see pages 24 – 25).
- Greenhouse Gas (GHG) emissions from operations (see page 63).
- Modern slavery (see page 67).
- Energy from Waste (see page 25).
- Fair employment and wellbeing (see page 65).
- Consumer behaviour (see our Sustainability Report, see pages 40 – 41).
- Food waste (see our Sustainability Report pages 38 – 39).

Outputs of the internal and external consultation process are displayed on the matrix below. The vertical axis values are made up of the importance to stakeholder scoring and the horizontal axis values of the importance to Biffa scoring.

The topics of highest strategic importance to Biffa, in terms of meeting the expectations of our key stakeholders, are related to the circular economy and waste disposal. Investment in these areas is

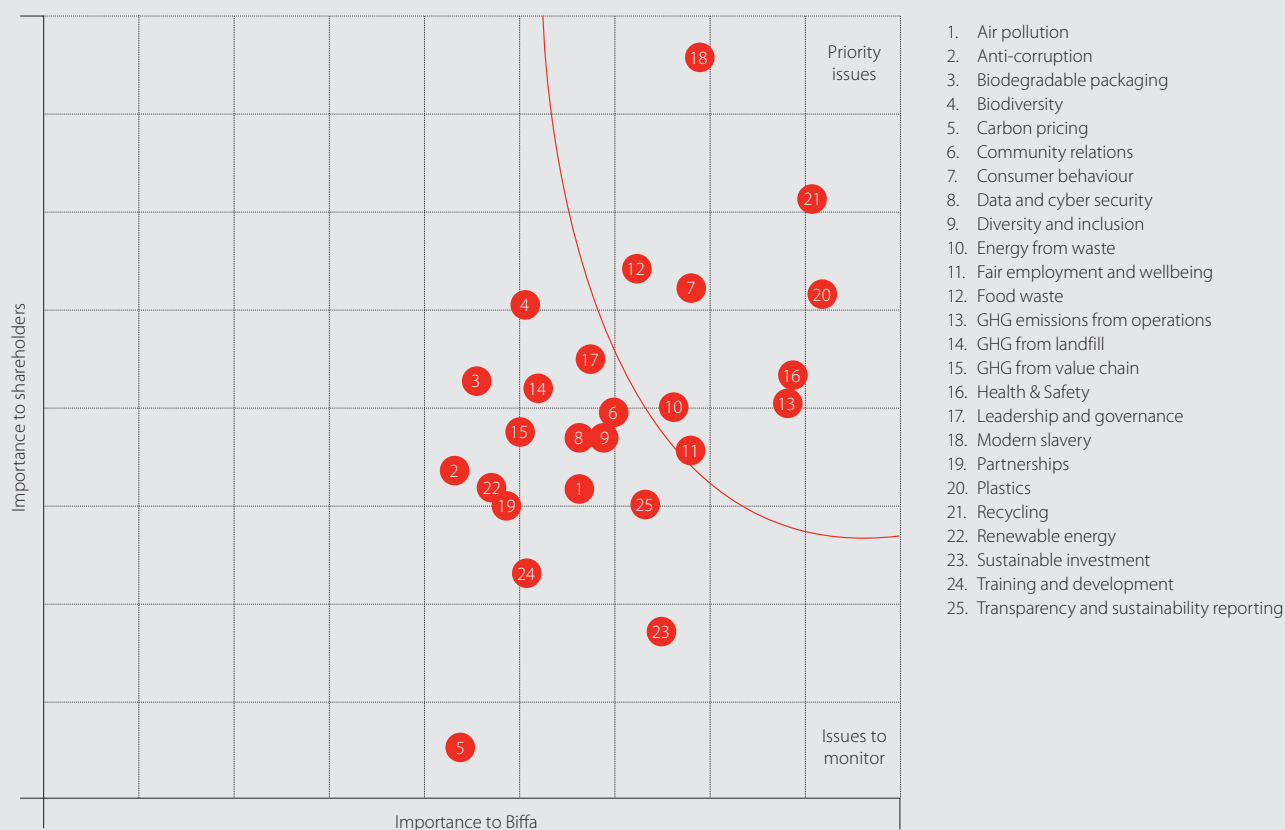
both core to Biffa's commercial offering and central to our sustainability strategy.

We've summarised what each of our core stakeholder groups (Employees, Customers, Investors, Suppliers, Government and Regulators and Environment and Communities) key interests were in the 'what matters to them' section in the following pages, along with some other key topics raised in the year.

Issues identified as most material will be prioritised within Biffa's sustainability activities and reporting, enabling us to address our ESG risks, capture opportunities, and increase our overall resilience as a business.

Engaging our stakeholders

We have set out on the following pages an overview of how our business and our Board directly and indirectly engage with our stakeholders to understand what matters to them and the outcomes of that engagement. You can also read more about how our Board take into account stakeholders and other factors in their decision making in the Section 172 (s172) Statement on pages 12 – 13.





Employees

Our employees are the strength of our organisation and the >9,000 team of talented, experienced and diverse individuals help us to lead the way in sustainable waste management. We pride ourselves on having an open and honest relationship with our workforce, empowering them to have their say, whilst ensuring they remain supported. We engage with each other respectfully, encourage each other and help make Biffa a fair, inclusive and fun place to work.

What matters to them?

- Support during the pandemic, including Covid-secure arrangements and additional financial support.
- The processes we have in place to ensure the Health & Safety of our people, customers and communities.
- Communications and engagement, ensuring two-way communication with employees.
- Financial performance and recovery and how this impacts employees.
- Tackling modern slavery, teaching our people how to spot the signs of modern slavery.
- Strategy and business performance, how we are investing for the future.
- Development opportunities, how our employees can grow and develop at Biffa.
- Diversity and Inclusion (D&I), how we are improving D&I across Biffa.
- Fair employment, benefits and wellbeing, ensuring that Biffa takes care of employees and provides fair employment.

How our Board engaged

- The Board received updates throughout the year on how Covid-19 was impacting our employees, including how the Group is supporting employees' mental health and wellbeing.
- David Martin, our Non-Executive Director for Workforce Engagement attended a number of employee forums during the year and received a presentation on the employee engagement results, reporting back to the Board on the outcomes (see page 66).
- In April 2020, the Board received an update on the 2020 employee engagement survey results.

How we engaged across the business

As face-to-face communication was difficult this year, we increased the frequency of our digital channels and launched new ones including:

- Our employee app Biffa Beat, company intranet, CEO vlogs.
- Printed and digital newsletters and employee letters.
- Employee video calls, with the opportunity to put questions to our Group Executive Team.
- Digital conferences and awards events, including a digital 'Diamond Awards' and Strategy Conference.

Outcomes of engagement

- Ensured our operational sites and offices were Covid-secure.
- Provided mental health training for all senior leaders in the business and launched E.N.E.R.G.Y programme to support employee wellbeing.
- £300 share award provided to all employees as a token of appreciation for their efforts throughout the pandemic.
- Modern slavery and D&I training for all managers across the business.
- Launched digital engagement survey 'Biffa Buzz' (see page 66).

Link to our principal risks (see pages 74 – 78)

1. Changes in Government policy and legal and regulatory compliance
2. Strategic/competitive threat to business model
3. Mergers and Acquisitions strategy
4. Strategic project implementation
5. Long-term contracts and tendering
6. Health & Safety
7. Covid-19
8. Business continuity, cyber security and IT resilience
9. Availability of labour



Customers

We care about our customers and their needs. Every day we provide essential services to thousands of household and business customers across the UK. We focus on delivering excellent service by doing what we say we will do and ensuring that we deliver as promised, every time. Our sustainable approach, responsiveness to customer needs and delivery make us the first choice for customers. Our customers range from corporate customers to SMEs and local authorities.

What matters to them?

- The processes we have in place to ensure the Health & Safety of our people, customers and communities.
- Support through the pandemic, maintaining service delivery, updates on Covid-secure arrangements.
- Tackling modern slavery, how Biffa is mitigating the risks.
- Financial performance and recovery to ensure continuity of services.
- Biffa's role in a circular economy (including plastics recycling, biodegradable packaging and consumer behaviour) and how we can support customers in this area.
- Carbon emissions from operations and supply chain (including roll out of electric vehicles) to help customers reduce their emissions and environmental impact.
- Food waste, Biffa's actions to dispose of food waste.
- Energy from waste, as a means of diverting waste from landfill.
- Digital capabilities, the ability to purchase waste services online.

How our Board engaged

- The Board received presentations from management on the acceleration of customer digitalisation to transform customer experience including the launch of the new e-commerce platform and the plans for a new electronic Customer Zone.
- The Board received updates from the CEO and management on the business which included feedback on engagement with our customers, new customer wins and customer contract extensions, and the work with customers to support them with their sustainability goals.

How we engaged across the business

- Virtual customer meetings held to update customers on business performance, progress against sustainability strategy goals and opportunities ahead.
- Website news articles, blogs and social media updates.
- E-newsletters.

Outcomes of engagement

- Supported customers throughout the pandemic ensuring continuity of essential services and helped them source additional Covid-secure supplies, such as face masks and cleaning equipment, when stocks were low.
- Launched UK's largest fleet of electric refuse collection vehicles in Manchester.
- Launched new e-commerce platform for SME customers enabling them to purchase waste services online.
- Online training product to support our customers in how to segregate their waste, to help improve recycling rates.
- Supported customers with their ambition to achieve net zero emissions (see page 27).

Link to our principal risks (see pages 74 – 78)

1. Changes in Government policy and legal and regulatory compliance
2. Strategic/competitive threat to business model
3. Mergers and Acquisitions strategy
4. Strategic project implementation
5. Long-term contracts and tendering
6. Health & Safety
7. Covid-19
8. Business continuity, cyber security and IT resilience
9. Availability of labour
10. Commodities market and pricing volatility
12. Economic environment

Engaging our Stakeholders continued



Investors

As a FTSE 250 listed Company we work with our investors, shareholders, analysts, banks and rating agencies to ensure they have a good understanding of our business and help them to recognise Biffa as a strong, sustainable investment opportunity.

What matters to them?

- Financial performance and recovery, the resilience we have demonstrated throughout the pandemic.
- Biffa's role in a circular economy (including plastics recycling, biodegradable packaging and consumer behaviour).
- Carbon emissions reduction, to prevent climate change impacts on the environment.
- Food waste, Biffa's actions to dispose of food waste.
- Energy from waste, as a means of diverting waste from landfill
- Tackling modern slavery, how we are mitigating potential risks in the supply chain.
- Strategy and business performance, including growth in green investments and acquisition pipeline.
- Leadership and governance, including greater transparency in sustainability reporting.
- Health & Safety, the processes we have in place to ensure the Health & Safety of our people, customers and communities.
- Biodiversity, Biffa's actions in maintaining diverse and functioning ecosystems and the services they provide to communities.

How our Board engaged

- The Chairman and Senior Independent Director consulted with key shareholders ahead of our AGM in June 2020.
- The CFO, Company Secretary and Director of Corporate Affairs held a series of calls with our major shareholders on corporate governance and sustainability issues.
- The CFO updated the Board on IR activities at each meeting, including feedback from 1:1 meetings.
- The Board received investor blast emails around key announcements.

How we engaged across the business

- Half and full year results virtual presentations and roadshows.
- Analyst webinars and trading updates.
- CEO and CFO have regular dialogue with investors, including virtual 1:1s with holders and non-holders.
- Attended virtual conferences throughout the year.

Outcomes of engagement

- Developed investor section of website in line with FTSE 250 best practice, with improved transparency of sustainability achievements.
- Invested in a new CRM database to track meeting notes and to send blast emails around key announcements to ensure investors remain up to date on our strategic activities.
- Site visit organised for investors and analysts to visit our plastics recycling facilities in the North East, so they can see our investments in green economy infrastructure first-hand.

Link to our principal risk (see pages 74 – 78)

1. Changes in Government policy and legal and regulatory compliance
2. Strategic/competitive threat to business model
3. Mergers and Acquisitions strategy
4. Strategic project implementation
6. Health & Safety
7. Covid-19
11. Finance availability/investment
12. Economic environment



Suppliers

Our suppliers play an important role in helping our business deliver for our customers. We form strong, sustainable and trusted partnerships and look to secure excellent value for money, whilst minimising risk in our supply chain.

What matters to them?

- Support through the pandemic, mitigating risks in the supply chain and providing Covid-secure supplies.
- Tackling modern slavery throughout the supply chain, the policies we have in place to help mitigate the risks.
- Biffa's role in a circular economy (including plastics recycling and consumer behaviour) and opportunities for suppliers to collaborate.
- Carbon emission reductions in the supply chain, to prevent climate change impacts on the environment.
- Anti-corruption activities, the anti-fraud and corruption standards expected throughout the supply chain.
- Partnerships, including support of Biffa's charity partner WasteAid.
- Leadership and governance, the governance structures and policies in place to ensure effective oversight and management.
- Brexit, how Biffa has mitigated the risk of disruption across our supply chain.

How our Board engaged

- The Board received a report on the work the Company has undertaken on modern slavery and approved the Company's Modern Slavery Statement, which is available on our website.
- The Board received information about our suppliers and our payment practices through the Board reports.
- The Board approved a number of material supply contracts during the year.

How we engaged across the business

- Modern slavery questionnaire to all new suppliers.
- Virtual supplier meetings.
- Website news articles, blogs and social media updates.
- All strategic suppliers approached with net zero carbon survey.

Outcomes of engagement

- Increased support from suppliers throughout the pandemic, including expanding our supplier network to ensure continuity of supply.
- Over 500 respondents to our zero-carbon questionnaire and offers of joint initiatives to reduce carbon from supply chain, including sourcing new ranges of electric trucks, vans and cars.
- Increased collaboration on modern slavery prevention, including supporting our suppliers to develop their policies in this area.
- Suppliers offering more environmentally friendly products, including LED lighting and cleaning products in support of our sustainability goals.

Link to our principal risk (see pages 74 – 78)

1. Changes in Government policy and legal and regulatory compliance
2. Strategic/competitive threat to business model
4. Strategic project implementation
5. Long-term contracts and tendering
6. Health & Safety
7. Covid-19
8. Business continuity, cyber security and IT resilience
9. Availability of labour
12. Economic environment



Government and Regulators

The UK waste sector's policy framework is devised by the UK Governments (including England, Wales, Scotland and Northern Ireland). As leaders in the UK waste industry, we are working closely with the UK Governments as they develop their new Resources and Waste Strategies and climate change prevention plans. Our industry is regulated by Environment Agency (and equivalents in the UK devolved nations), local authorities and HMRC/Revenue Scotland. We work closely with our regulators to keep them up to date with our activities and strategic priorities.

What matters to them?

- Tackling modern slavery, how we are mitigating the risks to support our people.
- Health & Safety, the processes we have in place to ensure the Health & Safety of our people, customers and communities.
- Diversity and inclusion, improving gender balance and other areas of D&I across the waste industry.
- Fair employment and wellbeing, ensuring that Biffa takes care of employees and provides fair employment.
- Biodiversity, Biffa's actions in maintaining diverse and functioning ecosystems and the services they provide to communities.
- Community relations, how Biffa engages with local communities and investment in those communities.
- Sustainable investment, investing in UK recycling infrastructure and alternative fuels.
- Leadership and governance, including transparency in sustainability reporting.

How our Board engaged

- The Board received a report on the key reform elements of the UK Government's Waste Policy and how the Company, as part of its sustainability strategy, will pro-actively engage with regulators and key stakeholder groups.

How we engaged across the business

- Participation in expert working groups.
- Government consultations.
- Waste sector liaison groups and councillor training.
- Regular website articles, blogs and social media updates.

Outcomes of engagement

- Input to, and member of, industry working groups.
- Continued investment in UK circular economy infrastructure.
- Significant progress made in restoring landfill sites in respect to biodiversity targets.
- Joined Science Based Targets initiative and committed to achieving net zero emissions by no later than 2050.
- Publication of Biffa 'Reality Check' report series on website.
- Developed sustainability pages of Biffa website to increase transparency in sustainability reporting.

Link to our principal risk (see pages 74 – 78)

1. Changes in Government policy and legal and regulatory compliance
2. Strategic/competitive threat to business model
3. Mergers and Acquisitions strategy
6. Health & Safety
7. Covid-19
12. Economic environment



Environment and Communities

Sustainability is at the heart of our business. We're committed to changing the way people think about waste and doing the right things to protect our planet, which includes minimising our carbon footprint whilst delivering the most environmental, social and financial value from the resources we collect. We are also proud to give something back to the communities we serve and in doing so create value for all our stakeholders.

What matters to them?

- Tackling modern slavery, how we are mitigating the risks to support local communities.
- Health & Safety, the processes we have in place to ensure the Health & Safety of our people, customers and communities.
- Biffa's role in a circular economy (including plastics recycling and consumer behaviour).
- Biodiversity, restoring former landfill sites to enable new species to be introduced.
- Food waste, Biffa's actions to dispose of food waste.
- Energy from waste, as a means of diverting waste from landfill.
- Carbon emission reductions, to prevent climate change impacts on the environment.
- Community relations, how Biffa engages with local communities and investment in those communities.
- Biodiversity, Biffa's actions in maintaining diverse and functioning ecosystems and the services they provide to communities.
- Leadership and governance, including transparency in sustainability reporting.

How our Board engaged

- The Company provides an essential service to over 95% of UK postcodes and, as such, plays an important role in the communities in which it operates. The Board is cognisant of the impact that certain decisions it makes can have on the community and receives relevant information in management reports.
- The Board, through the Sustainability Committee receives information and reports on the work undertaken on the environment and our communities.

How we engaged across the business

- Attend parish council and local liaison meetings
- Invite community members to our sites (outside of Covid-19 restrictions)
- Participate in volunteering and fundraising activities
- Regular newsletters, website articles, blogs and social media updates

Outcomes of engagement

- Direct contributions through community, sponsorship and fundraising
- Continued investment in UK circular economy infrastructure.
- Local project funding through Biffa Award scheme.
- Significant progress made in restoring landfill sites in respect of biodiversity targets.
- Joined Science Based Targets initiative and committed to achieving net zero emissions by no later than 2050.
- Developed sustainability pages of Biffa website to increase transparency in sustainability reporting.

Link to our principal risk (see pages 74 – 78)

3. Mergers and Acquisitions strategy
4. Strategic project implementation
6. Health & Safety
7. Covid-19
12. Economic environment

Section 172 Statement

SECTION 172 STATEMENT

Our Directors have a duty under s172 of the Companies Act 2006 (s172) to promote the success of the Company for the benefit of its members. In doing so, they must have regard to the interests of our employees, the business relationships with our suppliers and customers, the impact of our operations on the community and the environment and the desirability of the Company maintaining a reputation for high standards of business conduct.

To be able to fulfil their s172 duty when making decisions, it is essential that our Directors understand what matters to our stakeholders. Details of our key stakeholder groups and how the business and the Board have engaged with them during the year are set out on pages 09 – 11.

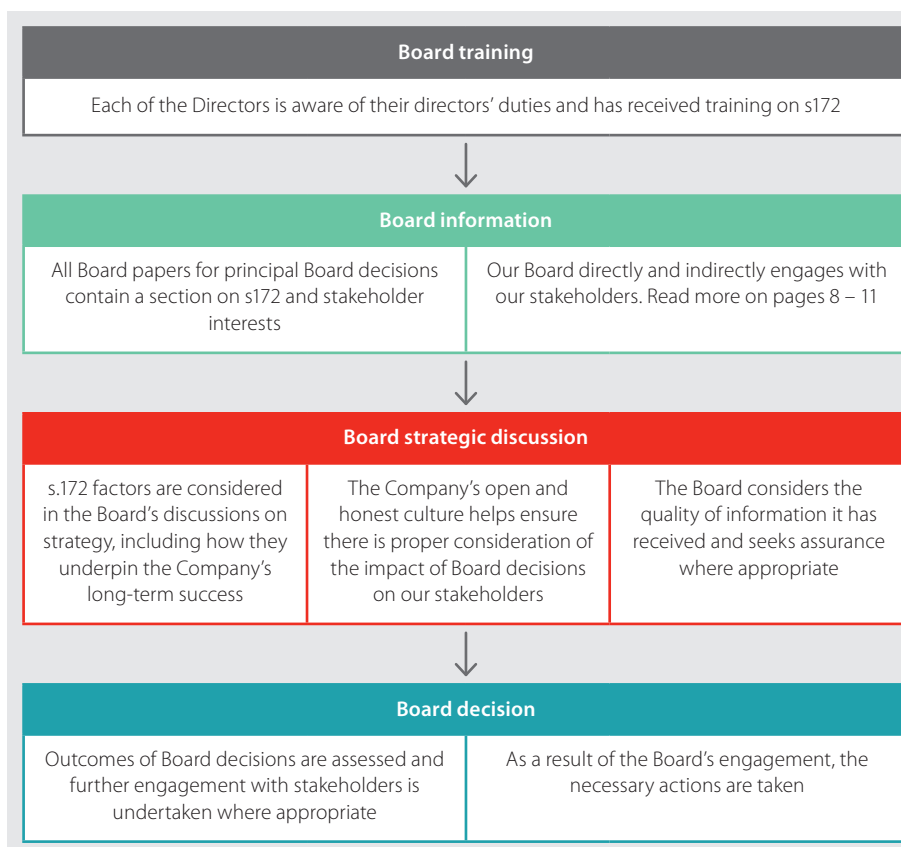
Much of the stakeholder engagement at Biffa is carried out at a business level. The Board receives details of stakeholder engagement and their interests through presentations from the Executive Directors and senior management and the Board papers. All Board papers for principal Board decisions contain a section on s172 and stakeholder interests.

A key responsibility for the newly formed Board Sustainability Committee will be overseeing stakeholder engagement on behalf of the Board. At its first meeting in January 2021, the Sustainability Committee considered the key stakeholder groups and the stakeholder engagement plan for the year. The Committee will receive updates on stakeholder engagement and report to the Board on stakeholder engagement activities and outcomes following each meeting.

In addition, the Directors also engage directly with our investors (see page 90 for more detail) and our employees. Employee engagement is primarily conducted through David Martin, our nominated Non-Executive Director for Workforce Engagement (see page 66). Site visits and Board dinners also provide an opportunity for direct engagement with employees. However, during the year this has been restricted due to Covid-19.

Further information on how s172 has been applied by the Directors can be found throughout the Annual Report:	s172 duties	Read more	Pages
	Consequences of decisions in the long-term	Our Business Model	18
		Our Strategic Framework	20
		Principal Risks and Uncertainties	74
		Viability Statement and Going Concern	79
		Board Activities	91
	Interests of employees	Non-Financial Information Statement	69
		Our People	64 – 68
		Employee Engagement	66
		Diversity and Inclusion	67
		Culture and Values	89
	Fostering business relationships with suppliers, customers and others	A Year Like No Other (Covid-19)	42
		Operating Review	36
	Impact of operations on the community and the environment	Sustainability Performance	46
		TCFD Disclosures	56
		Sustainability Committee Report	98
	Maintaining high standards of business conduct	Non-Financial Information Statement	69
		Culture and Values	89
		Whistleblowing	68
		Anti-fraud, Bribery and Corruption	66
		Modern Slavery	67
	Acting fairly between members	Shareholder engagement	90
		Voting Rights	122

How the Board fulfil their s172 duties



Key

Examples of some of the principal decisions that the Board has taken during the year and how s172 considerations have been factored into the Board's decision making are set out below.

- Employees
- Customers
- Investors
- Suppliers
- Government and Regulators
- Environment and Communities

Covid-19 response



All our stakeholder groups were affected in some way by the Covid-19 pandemic. The Board spent considerable time during the year discussing the impact of the pandemic on our business and reputation. They received regular updates from management to ensure they were fully informed regarding the interests of all our stakeholder groups enabling them to consider the consequences of their decisions in the long-term on the business and stakeholders and the need to act fairly at all times.

Employees – Protecting the health, safety and wellbeing of our employees was a key priority during the year. The Board supported management to take a number of actions including: safe working practices being put in place for our frontline employees, the introduction of Covid-secure measures at our offices and operational facilities, enabling and supporting home working, the launch of a new wellbeing initiative and the introduction of financial support packages for self-isolating and shielding staff (see page 43 for more details).

The Board also approved a number of measures to protect the Group finances and ensure that remuneration at Biffa was aligned with the broader stakeholder experience (see page 45 for more details).

Customers and Suppliers – Ensuring that business operations continued with minimal disruption and that our customers continued to receive the essential services that we provide was also a priority for the business. Continuous customer service call centre availability was provided by switching to home working and our I&C customers supported in the changes they needed to make to services due to the Covid-19 lockdowns.

The business worked pro-actively with key suppliers to agree rebates, payment deferral and discounts where appropriate.

Investors – The decision by the Board to suspend dividends was taken with a balance in mind between the interests of our investors in receiving dividends and the longer term need to protect the financial strength of the Group by preserving cash and liquidity during the uncertain trading environment that the Covid-19 pandemic provided. Other cash preservation actions were also taken.

Environment and Communities – Our key workers provided an essential service to businesses and households within our communities.

Government and Regulators – We proactively engaged with the Government and Regulators and other industry operators to pull together as an industry, helping to develop industry guidelines and best practice in response to the crisis.

Protos Energy from Waste Facility



In September 2020, the Board approved investment in the new Protos EfW facility in Cheshire and entry into a long-term waste disposal agreement for the facility. When finished, Protos will produce 400,000 tonnes of annual treatment capacity for non-recyclable household and I&C waste and will also be capable of generating 49MW of low carbon electricity, enough to power around 90,000 homes. The project is one of our four newly defined investment areas – ‘recover’ – to invest in EfW infrastructure as a low carbon alternative to landfill for our customers’ waste that cannot be recycled (see page 27 for more information).

Employees – Supporting our I&C business, the secure long-term disposal solution ensures service continuity and job security for the I&C division. The project will create over 300 jobs during the construction period with approximately 40 permanent employees once operational, providing future job opportunities.

Investors – The project will provide long-term returns in line with the Company's sustainability strategy. Biffa's financial commitment to the project will be c.£35m with a mid to high teens projected return on investment.

Government and Regulators – The new facility supports the Government's strategy to both reduce reliance on landfill and increase the UK's ability to treat more non-recyclable waste without export to overseas facilities. The project is also consistent with the local planning policy.

Suppliers – The project will create many opportunities for the local supply chain with a commitment from the project to purchase goods and services from local companies wherever possible.

Environment and Communities – The wider Protos estate will contribute to recreational spaces for the local communities' benefit and will include cycle ways and pedestrian access. In addition, the master development plan for the Protos site includes safeguarded areas for habitat creation and biodiversity. The facility will provide a low carbon energy source and divert waste from landfill.

Reputation – Our reputation is very important to us and the Board will be updated on the delivery of the Protos EfW as it progresses to ensure high standards of business conduct are maintained.

Acquisition of Company Shop Group



During the year, the Board considered and approved the significant opportunity to acquire CSG, the UK's leading and largest redistributor of surplus food, drink and household products. The acquisition supports Biffa's long-term sustainability strategy (see pages 24 – 25 for more information) and its commitment to maintain a reputation for high standards of business conduct.

Investors – The Board considered whether investors would have concerns about the allocation of capital to a business outside of Biffa's core services but considered the transaction to be in their interests because of CSG's strong ESG credentials, the long-term opportunities the combined businesses provide and good investment returns.

Employees – Biffa's employees have the opportunity to become members of CSG and therefore benefit from access to discounted food, drink and household products. There will also be opportunities for employees to provide volunteering services to Community Shop. Being part of a larger FTSE listed company will provide opportunities and new benefits for CSG employees.

Environment and Communities – The reduction in food waste has a positive impact on the environment. Community Shop has a network of community hubs supporting some of the most deprived areas of the UK. It provides its members with vital access to deeply discounted foods donated by supplier partners, as well as life changing learning and development programmes.

Customers and Suppliers – The combination of the businesses provides an opportunity to deliver a unique circular economy proposition to food manufacturing and fast-moving consumer goods (FMCG) customers and suppliers, helping them unlock sustainable value from food surplus. This will improve Biffa's capability to support its customers and suppliers' waste reduction and recycling targets in the long term. In addition, Community Shop provides an opportunity for CSG supplier partners to donate food surplus for social purpose.

Chief Executive Officer's Review



"This was a year in which strong relationships with all stakeholders were fundamental to ensuring business resiliency. My thanks go to all of our stakeholders, especially our employees for their commitment and support over the course of the year."

Michael Topham
Chief Executive Officer

A defining year

I'm extremely proud of the way the entire team responded to the Covid-19 pandemic in what has been a defining year for Biffa. We were able to protect our people and continue to provide the essential services on which society depends, while taking decisive action to strengthen the finances of the Group and continue to invest for the future. It has been a year none of us wants to repeat but certainly one which showed us at our best.

Having responded swiftly to the first wave of the pandemic, we secured the support of shareholders to raise £100m of new equity to enable us to swiftly recommence our strategic investment programme. Since then, we have delivered on that investment programme at pace, making a number of acquisitions and committing capital into vital UK green economy infrastructure development, notably including the recent announcement of our agreement to acquire Viridor's Collections business and certain Recycling assets. These investments will ensure we are well placed as the post-pandemic recovery takes hold.

The second wave of the pandemic and the subsequent lockdowns over the winter inevitably presented further challenges for the business, although their impact on our trading performance was less pronounced than the first. As a result, we were able to end the financial year with trading results ahead of the Group's Covid-19 base case expectations which we communicated at the start of the pandemic. It is however important to recognise the collective sacrifice that was made through the year and support that has been received to get us to the position we are now in. Measures included dividend suspension, staff furlough, pay reductions and cancellation of all pay increases and bonuses. We reinvested some of the savings we made into enhanced sickness benefits for staff and in funding an all-employee share award of £300 as a token of our appreciation for their commitment and sacrifice.

Despite the obvious distractions that the pandemic has brought, I am particularly pleased with the first year of delivery of our sustainability strategy, 'Resourceful, Responsible', which we launched a year ago. Its delivery and Biffa's future success are inextricably linked.

This was a year in which strong relationships with all stakeholders were fundamental to ensuring business resiliency. My thanks go to all of our stakeholders, especially our employees for their commitment and support over the course of the year.

Financial Performance

Our financial performance was materially impacted by the Covid-19 pandemic, with the business experiencing a revenue reduction of £121.1m. Despite this, EBITDA, excluding adjusting items margins held up well across FY21 at 13.3% (FY20: 15.0%). The measures contributing to this performance included taking c. 39% of the I&C frontline fleet off the road; furloughing up to 1,800 staff for various periods of the year for which we received £12.0m of government support; temporary pay cuts taken by the Board and senior leaders, pay freezes and the cancellation of all bonuses.

These measures gave the Group the ability to better shoulder the downturn and progress its strategic priorities over FY21.

In addition, the Group booked a number of adjusting items in the year. These charges totalled £81.8m before tax in the year (FY20: £16.4m) and the main contributing items related to asset impairment charges, an uplift of the onerous contract provisions, impacts of the decrease in the real discount rate on provisions; and an increase in the charge for amortisation of intangible assets. The overall consequence of all of these items was a loss before tax for the year of £52.8m (FY20 PBT £56.4m).

An evolving sector with attractive growth opportunities

The UK waste sector is entering an exciting period of change, which brings enormous opportunities for Biffa. In some ways it could be said that the UK waste sector is entering its 'third age'.

The 'first age', in simple terms, was the period during the second half of the 20th century, when waste management became a regulated, organised industry, but which was essentially organised around collections and landfill. Waste companies oversaw the safe collection and disposal of waste from households and businesses. For most people this was a very convenient, cost-effective, 'out of sight, out of mind' model. Biffa's business was originally built during this period. Whilst ultimately rightly confined to the history books, it was an essential step on our journey to where we find ourselves today.

The 'second age' began roughly around the turn of the century with the realisation of the potential for environmental harm of the existing system – and the opportunity that existed if we took a different approach. The concept of the 'waste hierarchy' was incorporated into Government policy and recycling and energy recovery were prioritised ahead of landfill. This period brought enormous investment and change, with a decrease in UK household waste to landfill of 80% between 1995 and 2018¹, and a 69% reduction in the overall CO₂e produced by the sector since 1990². The UK waste sector has been a stand-out contributor to carbon reduction over this period as a result of this enormous transition.

To a large extent, however the UK waste sector was replacing a 'collect – landfill' business model with a 'collect – sort – export' one which was driven by economic forces to export huge quantities of materials so that the ultimate treatment, whether that be recycling or energy recovery, could happen elsewhere. Headline statistics on landfill avoidance and recycling rates created a false sense that the UK's waste problem had been dealt with.

- 1 Source DEFRA: UK Statistics on Waste (publishing.service.gov.uk), page 7.
- 2 Source DEFRA: Resources and Waste Strategy – Monitoring Progress (publishing.service.gov.uk), page 22.

In recent years there has been an increasing realisation by consumers, businesses, and policy makers that this system of 'collect – sort – export' isn't acceptable. We have all seen examples of how things can go wrong when we rely on countries that don't yet have the same high environmental

standards or controls as the UK. It has made us realise that, to an extent, we had actually replaced one 'out of sight, out of mind' model with another.

As an advanced economy committed to a green, sustainable future, we have come to realise that shipping our waste to other countries to deal with is unacceptable. Moreover, it deprives the UK of the resources inherent within the waste – whether that be circular economy raw materials or vital low carbon energy – and doesn't just involve exporting waste – it exports jobs as well.

And so, we enter the 'third age' where governments, regulators, businesses, and consumers all see the benefit in managing resources efficiently and dealing with them here in the UK. Alignment exists because it helps businesses to win and retain customers, it protects brands, it creates job, and it wins votes.

It starts with supply chains being committed to – and delivering – waste reduction initiatives, supported by progressive waste management partners, like Biffa, that actually help them make it happen. For waste that can't be avoided, the most efficient, low-carbon collections systems, which have already begun their transition to zero emissions systems, ensure waste is properly segregated and the best possible outcomes are a possibility. Once properly collected, the most advanced treatment capabilities in the world are available – here in the UK – to ensure that materials are recycled in genuine 'closed loop' systems that put the same materials back into the same supply chains – again and again – or, if they are currently not capable of being recycled, they are safely used for low-carbon energy generation.

It is this third age that is now upon us, and at Biffa we understand the challenge and are excited about the opportunity it offers. It is what drives us and underpins our purpose to *change the way people think about waste*.

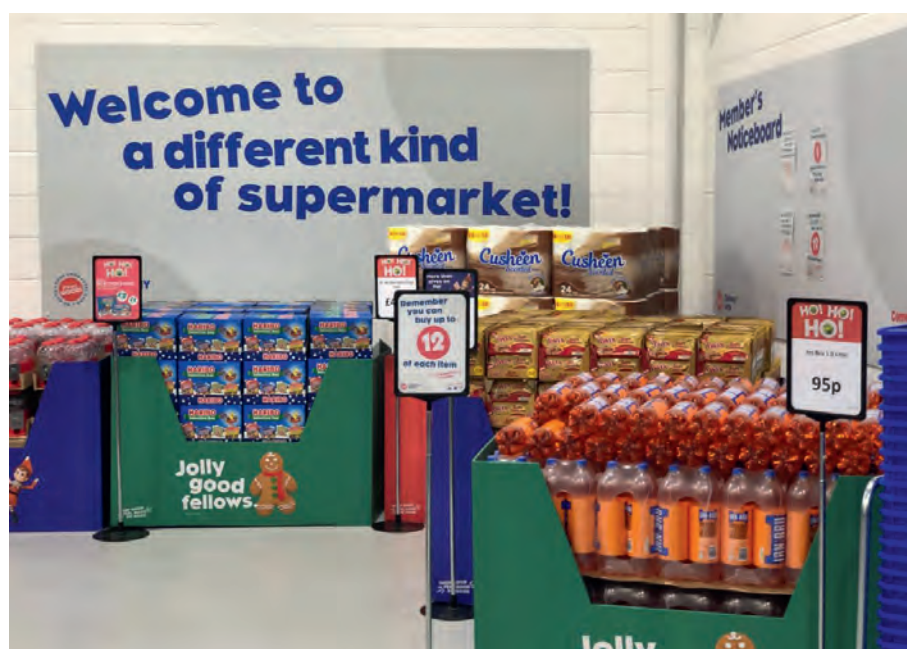
It is encouraging that the UK Government and devolved administrations are alive to these issues and

the opportunities that exist if we get things right, and we welcome the ambition in planned regulatory changes for our sector. Inevitably their implementation has been delayed due to the challenges of Brexit and the pandemic. Now is the time to move ahead with purpose to make the changes happen.

Biffa's role as an enabler of the circular economy

Biffa is already playing a vital role in making this third age a reality. Our areas of focus essentially reflect the waste hierarchy – to Reduce, Recycle, and Recover in addition to the essential activity of Collect, which are fundamental to the waste supply chain and to our business success. Across these four areas we have made significant progress in the year:

- **Reduce:** Our acquisition of Company Shop Group in February 2021 for £86.0m excluding deferred and contingent consideration plus £10m of IFRS 16 leases assumed establishes us as the leading enabler in the UK circular economy, with genuine alignment to our customers' objectives to reduce waste. CSG is in the business of waste prevention, working with manufacturers of household produce to ensure surplus produce does not go to waste and instead is redistributed for sale through its unique network of membership-restricted outlets. It also includes Community Shop, a not-for-profit community interest company that supports some of the most deprived areas of the UK through a network of hubs which sell produce provided by donations from supplier partners at deeply discounted prices, alongside the provision of a number of community services. We look forward to delivering the growth plan for CSG, increasing waste redistribution across our customer base.
- **Recycle:** Biffa is a leader in closed-loop plastic recycling. We have continued the rapid expansion of our capabilities, with investments for the treatment of post-consumer PET in Seaham and PP in Washington nearing completion, and a further investment in HDPE recently announced. By the end of FY22, we will have invested c. £55m,



Chief Executive Officer's Review continued

increasing our capacity from 63,000 tonnes in FY19 to 155,000 tonnes.

- **Recover:** Whilst we are committed to waste reduction and recycling, we recognise that we are still many years away from realising the long-term vision for all waste to be recycled, and in the meantime, energy recovery will play a vital role in tackling this waste challenge. As the UK's largest waste collector, having access to domestic, low-carbon energy recovery is essential, and we have been working with our joint venture partners Covanta and Macquarie's Green Investment Group to develop two facilities to meet this need. The first facility at Newhurst in Leicestershire commenced construction during the year, and the second, Protos in North Cheshire, reached financial close during the year and has also started construction. These facilities will become operational in 2023 and 2024 respectively and will handle c. 0.5m tonnes of Biffa's non-recyclable waste. Our total investment in these two facilities will amount to £75m and will deliver a growing return once the sites become operational.
- **Collect:** We have continued to deliver on our plan to consolidate the fragmented I&C collections market. Acquisitions are highly synergistic, with the removal of duplicate routes and locations, and result in a more efficient, flexible service proposition for our customers with a lower-carbon intensity. Acquisitions are the key to us delivering our long-term plan to be the leading collector of business waste in the UK, enjoying sector-leading margins and returns on capital. In the year we also completed a further two I&C acquisitions, investing £35.3m which includes deferred and contingent consideration of £2.2m, plus £9.1m of IFRS16 leases. The vast majority of this related to Simply Waste, a leading operator in the south of England. We expect the consolidation of the I&C market to remain a feature of our strategy for some time to come. We have also continued to invest heavily in our customer experience, helping us to both attract new customers and give them the best experience once with us. Customers demand information and transparency more than ever, and we are uniquely well positioned to deliver this for them.

In addition to the above, after the year-end we announced that we had reached agreement to acquire Viridor's Collections business and certain Recycling assets for a cash consideration of c. £126m, plus c. £17m of IFRS 16 lease assumed, solidifying our leading position in UK sustainable waste management.

Our total committed investment since the Capital Markets Day in 2019, along with our announced Viridor acquisition, means we have committed £425m across these four areas. This represents a significant acceleration in the strategic development of the Group and is well in excess of the £250m ambition we laid out in our Capital Markets Day event in September 2019.

To reflect our positioning and priorities, going forward we will establish a new divisional reporting structure based on three divisions: Specialist Services (incorporating Biffa's established division of the same name and CSG), Collections (incorporating I&C and Municipal), and R&E. Our R&E division continues to be led by Mick Davis, and our Specialist Services and Collections divisions are led by David Bird, who recently joined the Group to replace Jeff Anderson, who retired at the end of the financial year.

A strategy with sustainability at its core

Our first sustainability strategy, 'Resourceful, Responsible' has already become well embedded within our business and underpins everything we do.

Our plan involves big ambitions in unlocking £1.25bn of green economy infrastructure investment and further significant reduction in our carbon emissions by 2030. The great progress we have made in delivering our business strategy, such as our entry into the redistribution and waste reduction space, expanding our plastic recycling operations, building a low-carbon collections business through acquisitions, and investing in energy from waste infrastructure will ensure we deliver this plan.

In addition, we have made a number of commitments that reflect the role we have as a leader in our sector, such as improving workplace safety and addressing the risks that the waste industry presents to rough sleepers, creating a more diverse and inclusive place of work, increasing pay for our lower paid workers, and tackling modern slavery, to which our sector, like many, is vulnerable. In our business operations we have committed to pioneering the introduction of electric collection vehicles and migration of our landfill logistics to being predominantly rail-based, reducing carbon and congestion simultaneously.

I am really pleased with the progress we have made in delivering across many of these objectives. Indeed, the recent acceleration of our investment

strategy means that we have now unlocked £1bn of the target of £1.25bn investment and have managed this despite the obvious distraction of the pandemic. But there is a lot of work to do in the years ahead. For more information take a look at our Sustainability Report which will be published on 21 June 2021 and will be available on our website: www.biffa.co.uk/sustainability/sustainability-report-2021.

Technology, innovation, and disruption in waste

We are often asked about the extent to which our business is at risk of disruption from technology and innovation, especially as a result of the Covid-19 pandemic where many business models have needed to adapt.

Innovation is essential in the waste sector as society moves towards a de-carbonised, circular economy and the industry seeks more sustainable waste management processes. However, with a growing list of supposed game-changing solutions, Biffa's experience and position is critical for assessing the viability of novel technologies and identifying the most promising initiatives.

We maintain a pipeline of new innovations, partnering where appropriate to help new ideas progress, without putting capital at risk. Areas of innovation that will evolve our core proposition and have the potential to grow into and disrupt adjacent markets are prioritised. Therefore, we have active projects in areas such as sustainable packaging, legislative driven changes, digitalisation of collections, hard to recycle wastes and sustainable energy production.

Digitally enabled collections models and new waste treatment technologies have been two of the most hotly debated areas of disruption for the sector.

In Collections, we assessed the scope for a digital platform to disintermediate traditional 'hard asset' operators such as Biffa from its customers, harnessing



Energy recovery

Our first energy recovery facility at Newhurst in Leicestershire (pictured) commenced construction during the year, and the second, Protos in North Cheshire, reached financial close during the year and has also started construction.

These facilities will become operational in 2023 and 2024 respectively and will handle c. 0.5m tonnes of Biffa's non-recyclable waste. Our total investment in these two facilities will amount to £75m

+ Read more: see page 25



the reach and capacity of smaller operators. We believe there is a potential advantage for this model for services that are reactive or unplanned in nature, such as skips for construction waste or unplanned jobs. Biffa is relatively under-invested in these areas, so we are developing a proposition to provide solutions by leveraging a broader digitally enabled supply chain. Nevertheless, we have firmly concluded that the end-to-end ownership of the assets and direct employment of service delivery personnel is the winning model for the majority of our Collections services. This is true from a cost, customer service, environmental and transparency perspective – provided there is sufficient scale to deliver the route density benefits key to driving profitability. Customers want the certainty of a self-delivered model and the confidence our brand brings with it.

In waste treatment technologies, there has been significant interest in energy recovery. We have thoroughly investigated solutions such as gasification and pyrolysis, and are open to advances, however, evidence shows that incineration is currently the only reliable solution for non-recyclable general waste. It is a key transitional technology away from landfill towards more sustainable methods. For hard-to-recycle plastics, chemical recycling has also received growing attention, but the technology and economics are presently unviable. We remain hopeful that more options for the treatment of plastics will become available and we are well placed to leverage them once they do.

Significant disruption to current waste management practices is required across supply chains to prevent negative environmental impacts, and Biffa is perfectly positioned to drive that change.

Outlook and priorities

Our immediate focus remains ensuring that we can maintain our essential services whilst keeping our people safe and well. As we look beyond the pandemic, we believe Biffa is very well placed for a

strong recovery and are encouraged by our recent trading performance. We are focused on delivering our strategic growth plans which will enhance our leading position at the heart of the UK circular economy. We are already making positive headway in our core investment areas: Reduce, Recycle, Recover and Collect.

Following the Group's acquisition of CSG in February 2021, discussions with our corporate customer base about the newly combined offering have been very positive. The opportunities going forward for new store openings are actively being pursued with a clear plan to source sufficient additional surplus volumes and expand outlet numbers over the next 3-4 years to grow revenue and EBITDA by a further 50%, as previously reported.

We will continue to build out our plastic recycling capabilities at pace. With the final commissioning of the developments at Seaham, Washington and Aldridge approaching, we will move on to the previously announced additional investment at Washington, which will increase the Group's HDPE milk bottle recycling capacity by a further 50%. To further bolster our plastics recycling capacity, we recently agreed terms to acquire Scotland's only post-consumer plastics recycling facility ('PRF') from Green Circle Polymers Ltd for £10m. The PRF adds an additional 50,000 tonnes of treatment capability and is well positioned to play a role in the Scottish Government's Deposit Return Scheme which comes into effect in July 2023.

Our EfW portfolio has been progressing to plan, in line with construction milestones. The much-needed green infrastructure will reduce the UK's reliance on exporting non-recyclable waste. Both the Newhurst and Protos facilities will continue their large-scale construction programmes into FY22 and FY23.

The agreement to acquire the Collections business and certain Recycling assets from Viridor, will expand Biffa's I&C collections business and recycling capabilities, broaden our customer base, and solidify our leading position in UK sustainable waste management. The deal, which will be immediately earnings enhancing, builds on Biffa's strong track record as a leading market consolidator in the highly fragmented I&C collections market and underpins our commitment to our sustainability strategy, strengthening Biffa's position as one of the largest recyclers of post-consumer materials in the UK. Completion of the deal is expected no earlier than August, following clearance from the Competition and Markets Authority. We will then move swiftly to integrate the Viridor business into Biffa.

We have been pleased with the recovery of our performance in recent months and are confident that the year ahead will see a good recovery in our trading performance, as we benefit from the economic rebound that is emerging follow the easing of lockdown restrictions. We will also see the benefit of the investments and acquisitions that we have made over the course of the year. Accordingly, our expectations for the year (excluding the impact of the Viridor transaction) are unchanged.

As we hopefully move beyond the pandemic, it is vital that we support our customers as they seek to revitalise their businesses through providing an excellent customer experience. The ongoing work to make progress across the key initiatives within our sustainability strategy will continue. We have a lot to get on with to leverage our leading position as an enabler of the UK circular economy. All our stakeholders expect it of us, and we won't let them down.

Michael Topham
Chief Executive Officer
31 May 2021

A SUSTAINABLE BUSINESS MODEL THAT UNITES PURPOSE WITH PROFIT

The UK waste sector is entering an exciting period of change, driven by increasing customer demand for sustainable waste management alongside changes to Government policy through the Resources and Waste Strategy. Biffa's strong position as an enabler of the UK circular economy is helping to guide the changes to Government policy towards progressive long-term benefits for the environment, the economy and the communities we serve.

We understand the importance of our sector's role in helping tackle the defining issues of our time. We understand the huge possibilities, but equally the great potential for harm, if waste isn't dealt with responsibly. That is why we are here.

Biffa exists to change the way people think about waste. A year on from publishing our sustainability strategy, 'Resourceful, Responsible' we have already made a big difference. We have an ambitious plan, and we are getting on with delivering it.

Our sustainable business model

Our business model comprises four strategic areas of investment – to deliver efficient, sustainable management of waste aligned to the waste hierarchy and our three sustainability strategy pillars:

- Building a circular economy.
- Tackling climate change.
- Caring for our people, supporting our communities.

Investment areas

Our four strategic areas of investment reflect the outcomes and value creation delivered by our operational capabilities:

1. Reduce

To pioneer and operate the UK's leading waste reduction and redistribution services.

Revenue sources:

- Sale of surplus produce to store members.

2. Recycle

To develop and operate the UK's leading recycling solutions.

Revenue sources:

- Gate fees for processing and treating waste.
- Sale of commodity products.

3. Recover

To invest in energy from waste infrastructure as a lower carbon alternative to landfill for our customers' waste that can't be recycled.

Revenue sources:

- Gate fees for processing and treating waste.
- Sale of renewable energy.

4. Collect

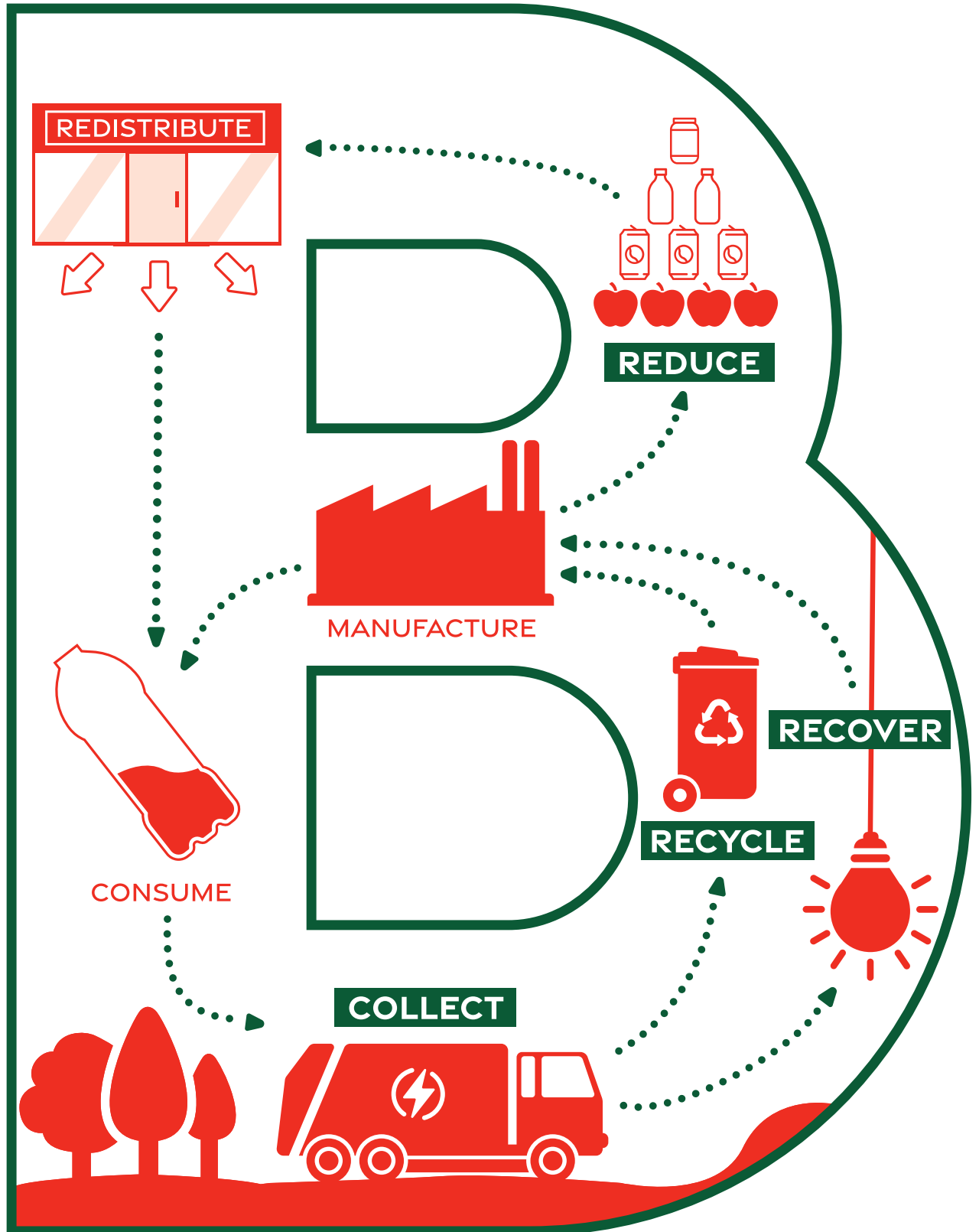
To build the UK's largest, most efficient, low carbon waste and recycling collections operation.

Revenue sources:

- Service fees for collection and disposal of commercial waste.
- Fees for outsourced provision of household collection services.

The following pages demonstrate how we unite purpose with profit through our sustainable business model. They also demonstrate how capital is allocated between our four investment areas and how these align to our strategic pillars, divisions and risks.

There has been no impact on our business model as a result of the Covid-19 pandemic.



ENABLING THE UK CIRCULAR ECONOMY

OUR PURPOSE CHANGING THE WAY PEOPLE THINK ABOUT WASTE

+ Read more: see page 65

OUR VISION TO LEAD THE WAY IN UK SUSTAINABLE WASTE MANAGEMENT

+ Read more: see page 4

Our sustainability strategy is structured around the three pillars where our impact can create the most positive value:



Building a circular economy

We are contributing to a sustainable future built around a circular economy; educating our customers, Government and the wider public to use materials responsibly and re-use as much as possible.

We are making significant investments in our recycling capabilities as well as collaborating in partnership with established, expert operators, to build the low carbon energy from waste (EfW) infrastructure that the UK needs to manage waste sustainably. We've also invested in surplus produce redistribution through the acquisition of CSG enabling us to deliver a unique circular economy proposition for the UK.



Tackling climate change

Climate change is a global emergency that requires action now. Our services deliver carbon reductions for waste producers.

Decarbonisation means growing our services, whilst reducing our carbon footprint and maximising carbon savings wherever we can, for ourselves and our customers.

Over the past two decades, we have made huge strides in our sustainability journey by investing in green economy infrastructure and low carbon collections that have reduced our carbon emissions by 70%. Our aim is to cut our emissions by a further 50% by 2030 and to reach net zero emissions by no later than 2050, in line with Government targets.



Caring for our people, supporting our communities

Our people deliver an essential service to our customers and make sure our business runs safely and efficiently.

We are committed to keeping our people and the public safe by ensuring that safety is firmly embedded within our culture and championed at all levels. We care about employee wellbeing and work-life balance and see our people as our best ambassadors. We also remain committed to tackling modern slavery throughout our supply chain and encouraging a more diverse workforce and inclusive culture.

We are proud to 'give something back' to the community, through our biodiversity programmes, Biffa Award and charity partnership with WasteAid.

Alignment with UN Sustainable Development Goals:



Alignment with UN Sustainable Development Goals:



Alignment with UN Sustainable Development Goals:



A new divisional reporting structure to reflect our focus and priorities¹

COLLECTIONS

Our mission:

To provide the most efficient, low carbon waste and recycling collections and related services to I&C, Municipal and household customers.

SPECIALIST SERVICES

Our mission:

To help customers fulfil their sustainability ambitions by providing bespoke solutions including surplus redistribution, integrated resource management and hazardous waste services.

RESOURCES & ENERGY

Our mission:

To maximise the recovery of resources and energy through our leading waste treatment and processing capabilities.

Underpinned by our values²

**Be safe, Be innovative, Be customer focused,
Be a team player and Be accountable.**

+ Read more: see page 65

With a focus on four strategic investment areas in line with the waste hierarchy, where we have committed £425m³ since our Capital Markets Day (CMD) in 2019:

REDUCE

Our Aim:

To pioneer and operate the UK's leading waste reduction and redistribution services.

£96m

investment committed
since CMD

RECYCLE

Our Aim:

To develop and operate the UK's leading recycling solutions.

£65m

investment committed
since CMD

RECOVER

Our Aim:

To invest in energy from waste infrastructure as a lower carbon alternative to landfill for our customer's waste that can't be recycled.

£75m

investment committed
since CMD

COLLECT

Our Aim:

To build the UK's largest, most efficient, low carbon waste and recycling collections operation.

£189m

investment committed
since CMD

1. Going forward, the legacy Specialist Services business will be separated from the Collections division to create a new division of the Group for external reporting purposes and will include IRM, Hazardous Waste, Biffpack and CSG.
2. Biffa is working with its people to co-create a new set of values during FY22.
3. Committed investment since Capital Markets Day in September 2019. Includes Viridor transaction (£143m) and acquisition of Green Circle PRF (£10m) agreed in May 2021.



REDUCE

Our Aim:

To pioneer and operate the UK's leading waste reduction and redistribution services.

Biffa actively promotes waste reduction and reuse. Through our work with commercial customers, we help them to reduce waste, identify opportunities for reuse and ensure that recycling opportunities are maximised.

Our acquisition of Company Shop Group establishes us as a lead enabler of the UK circular economy, with genuine alignment to our customers' objectives to reduce waste.

The journey so far:

Acquisition of Company Shop Group

We acquired CSG in February 2021 for £86.0m excluding deferred consideration. CSG delivers a unique circular economy proposition to the food manufacturing and FMCG sectors, helping some of the UK's biggest operators unlock sustainable value from the 141,000 tonnes of quality surplus food, beverage and household products that are produced in the UK each year.

CSG prevents waste by identifying surplus products and then collecting, processing and redistributing it for sale through its unique network of membership-based outlets, whilst ensuring compliance with stringent food safety standards.

£96m

investment committed since CMD

Surplus products include:

- Production overruns.
- Trial products.
- Produce that has been incorrectly labelled or packaged.

All of which without intervention would be destined to become waste.

Biffa is committed to CSG's long-term expansion and growth. Since the acquisition, CSG has successfully opened a new store in Dudley with more sites planned for FY22.

+ See more information about the strategic rationale for the acquisition in our CSG case study.

Priorities for the year ahead:

- Integrate commercial offering across waste, recycling and redistribution.
- Continue engagement with Biffa customer portfolio.
- Deliver on roll-out plan for new Company Shop and Community Shop stores.
- Targeting 50% growth in next three to four years
- Further development of our offering as the UK's leading waste redistributor.

+ Risks: See pages 72 – 78





SURPLUS SOLVED

Redistribution services complement Biffa's established waste and recycling services, and supply of closed loop recycled raw materials.

Company Shop Group – the UK's leading and largest redistributor of surplus food and household products

The strategic rationale for acquiring CSG:

- Redistribution services complement Biffa's established waste and recycling services, and supply of closed loop recycled raw materials.
- As the only commercial redistributor of scale in the UK, CSG is the market leader in a growing sector, with a strong, credible growth plan which we will deliver together.
- Unlocking circular economy innovation, through Biffa's expertise in waste management and recycling coupled with CSG's redistribution capabilities.
- Strong customer and supplier base alignment.
- Significant opportunity to cross-sell and up-sell complementary services.
- Expands on existing capability to support customers' waste reduction and recycling targets.

Members include:

- Employees working in the FMCG supply chain.
- 'Key workers' such as those in healthcare and the emergency services.

Award-winning social enterprise

CSG also operates an award-winning social enterprise, Community Shop, a not-for-profit community interest company with a network of six community hubs supporting some of the most deprived areas of the UK. In early FY22, a new Community Shop store will be opening in Beechwood, the Wirral. See page 68 for more information on how it provides societal value.

Community Shop is a winner of the prestigious Queen's Award for Enterprise, in the Promoting Opportunity category.





RECYCLE

Our Aim:

To develop and operate the UK's leading recycling solutions.

The journey so far:

Developing plastics recycling facilities in the UK

Biffa is a true pioneer in closed loop plastic recycling, turning waste plastic into food grade material that can be used as a substitute for virgin plastic, thereby playing an important role in reducing plastic pollution in the UK.

Biffa recycles:

- Polyethylene terephthalate (PET), which is commonly used in plastic drinks bottles, homecare products like washing up bottles and cleaning sprays and in clothing.
- Polypropylene (PP), which is commonly used for margarine tubs and microwaveable meal trays.
- High-density polyethylene (HDPE), which is commonly used in milk bottles and for high quality food grade packaging.

Pioneering plastics recycling

Plastics are at the centre of the sustainable waste management debate due to the growth and prevalence of plastic packaging resulting from growth in global trade, online retail and 'on-the-go' consumption of food and drink. Public awareness and interest in issues such as ocean plastics and single-use plastics is high, fuelled by a global desire to tackle climate change.

The UK Government is beginning to reflect public concerns and the Environment Plan, published in January 2018, England's Resources and Waste Strategy (RWS), published in December 2018, along with similar strategies put in place by the UK Devolved Administrations, reflect rising interest in the circular economy and the green agenda. Key to the RWS is the ambition to process more waste at home – something that Biffa is highly supportive of.

£65m

investment committed since CMD

Enabling the UK circular economy

Our £27.5m state-of-the-art PET plastic bottle recycling facility in Seaham opened in January 2020.

Key facts:

- 57,000 tonnes of PET plastic recycled every year, equivalent to 1.3bn plastic bottles.
- 70 new jobs created, bringing 11 individuals out of long term unemployment.

At the end of the financial year, we had sold the majority of our output from the Seaham facility on de-risked terms to long-standing partners, including Alpla and Nestlé Waters.

We are aiming to quadruple our plastics recycling capacity by 2030 and have committed a further £65 million into plastics recycling development:

- £12.5m in phase two of Seaham – on track to come online in the early part of FY22.
- A new £7m facility in nearby Washington to process plastic pots, tubs and trays.
- Additional investment in the Washington facility of £13m to increase post-consumer HDPE recycling.
- A £7m investment in our existing recycling facility in Aldridge, to provide an increased supply of feedstock into our Polymers business.
- £10m to acquire Scotland's only post-consumer plastics recycling facility from Green Circle Polymers Ltd, providing an additional 50,000 tonnes of treatment capability.

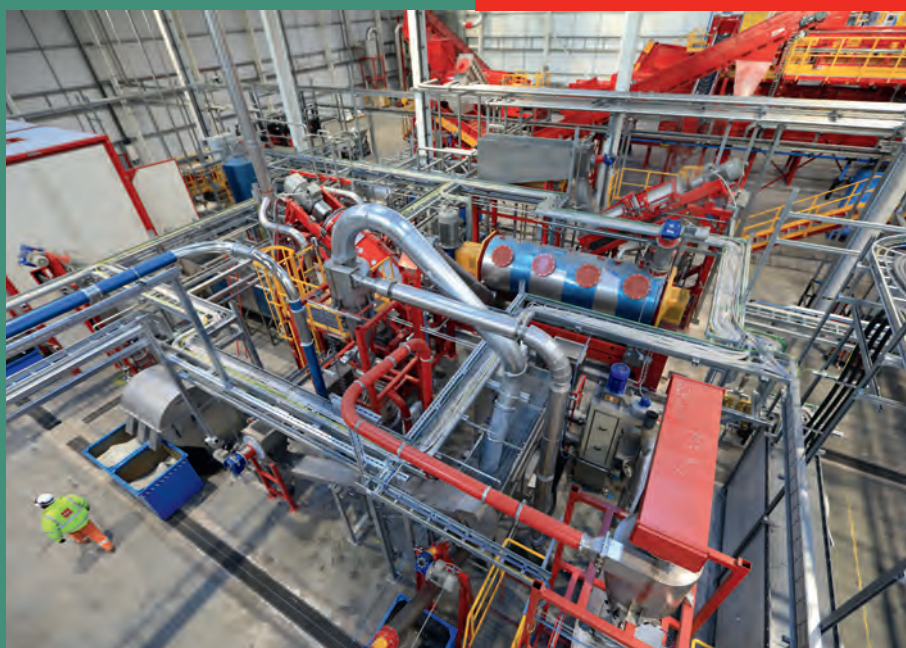
Priorities for the year ahead:

- Continue to consolidate Biffa's leadership position in food grade, closed loop plastic recycling.
- Complete commissioning of Seaham and Washington recycling facilities.
- Complete additional investment into Washington facility for HDPE post-consumer milk bottles, which will increase recycling capacity by a further 50% to 39,000 tonnes of input per annum (equivalent to 1.6 billion bottles a year), and will grow Biffa Polymers' business to an annual capacity of 155,000 tonnes and revenue of c.£85m.
- Continue to work with customers to help improve recyclability of their plastic packaging.
- Continue successful stabilisation improvements of our Materials Recycling Facilities.

+ Risks: See pages 72 – 78

PLASTIC

57,000 tonnes of PET plastic recycled every year, equivalent to 1.3bn plastic bottles





RECOVER

Our Aim:

To invest in energy from waste infrastructure as a lower carbon alternative to landfill for our customers' waste that can't be recycled.

As the UK's largest waste collector, we are fully committed to waste reduction and recycling, however, we recognise that the technology which will enable a zero-waste future is still many years away. In the meantime having access to domestic, low-carbon energy recovery is essential and EfW helps to tackle this waste gap as a low carbon alternative to landfill.

Currently methane emissions from our landfill sites contribute 75% of our carbon footprint and is a potent greenhouse gas, some 25 times more potent than carbon dioxide. In order to reduce the waste inputs to landfill, we need a suitable alternative and energy from waste technology is what currently meets the UK's needs.

The journey so far:

Investing in UK Energy from waste infrastructure

In the last 18 months, Biffa has invested in two EfW facilities – Newhurst in Leicestershire and Protos in Cheshire.

The two facilities, which have a combined capacity of 750,000 tonnes per year, support the Government's drive to both reduce reliance on landfill and treat more non-recyclable waste at home, decreasing the UK's dependence on export.

The new facilities will contribute 90 MW of renewable and low carbon energy to the UK's electricity grid, enough to power approximately 170,000 homes.

£75m

investment committed since CMD



Newhurst

- We started construction at Newhurst in June 2020 following financial close in February 2020.
- Biffa has a 50% equity stake in the project and is investing c.£40m over a three-year period.
- We will supply 70% of the feedstock into the facility, which will be operated by our joint venture partner Covanta.

Protos

- Our second EfW project, Protos, in which Biffa has a 25% equity stake, reached financial close in December 2021.
- Biffa is investing c.£35m over a three-year period into the project, and will supply 60% of the feedstock, further underpinning offtake for our I&C business. This facility will also be operated by Covanta.

Construction is underway for both projects and the state-of-the-art facilities are expected to be completed during 2023 for Newhurst and 2024 for Protos.

Priorities for the year ahead:

- Continue construction of Newhurst EfW to meet commissioning milestones.
- Continue construction of Protos EfW to meet commissioning milestones.

+ Risks: See pages 72 – 78

ENERGY

The new facilities will contribute 90 MW of renewable and low carbon energy to the UK's electricity grid, enough to power approximately 170,000 homes.



COLLECT

Our Aim:

To build the UK's largest, most efficient, low carbon waste and recycling collections operation.

Our business waste collection platform is the UK's largest and most efficient service. We offer our customers flexible solutions which helps them to maximise their recycling. Our industry-leading 'route density' also means we have the lowest emissions. Our goal is to continue to grow our business, both organically and through acquisition whilst continuing to focus on delivering an efficient, high-quality service, keeping costs firmly under control and delivering efficiencies through the increased use of technology.

The journey so far:

Acquisitions

We are delivering on our strategic plan to consolidate the fragmented I&C collections market.

- Acquisitions are highly synergetic.
- Duplicate routes and locations are removed resulting in a more efficient, flexible service proposition for our customers with a lower-carbon intensity.
- Acquisitions, alongside organic growth, are the key to us delivering our long-term plan to be the leading collector of business waste in the UK, with sector-leading margins and returns on capital.

Biffa made two acquisitions in the I&C business during the year – Simply Waste and Ward Recycling for a combined investment of £35.3m including deferred and contingent consideration, plus £9.1m of IFRS 16 lease liabilities assumed. In addition we assumed £4.4m of other debt and cash acquired on acquisition was also £6.9m.

FY21 I&C acquisitions:

- September 2020: Ward Recycling.
- October 2020: Simply Waste.

The acquisitions of *Simply Waste* and *Ward Recycling* enhance our customer proposition and support our aim to 'tackle climate change', as the consolidation means a more efficient low carbon service with fewer vehicles on the road. You can read more about how these acquisitions are progressing in our operating review on pages 36 – 37.

The recent announcement of the agreement to acquire Viridor's Collections business demonstrates how Biffa is expanding our I&C collections business and recycling capabilities, broadening our customer base and solidifying our leading position in UK sustainable waste management.

Organic growth

We also continue to grow organically, with strong levels of new business wins and retentions and low levels of churn (<5% annualised), including corporate clients such as: TFL, SSE, Parkdean Resorts, Wincanton Logistics and Barratt Developments plc.

Customer experience

We have continued to invest substantially in constantly improving our customer experience, helping us to attract and retain customers. Customer demands for information and transparency are rightly increasing and we are uniquely positioned to deliver this for them.

Over the last year we have accelerated the development of our e-commerce capabilities, by creating a new online platform to target SME customers. The platform, which launched in November 2020, provides new customers with the opportunity to complete the contracting process online, from receiving a quote through to e-signing their new contract.

This supplementary service stream has generated annualised sales revenue of over £770,000 in the first five months of trading.

Roll out of UK's largest fleet of electric refuse collection vehicles (eRCVs)

See the case study 'UK's largest fleet of electric refuse collection vehicles get the green light' on page 27.



Manchester City Council's electric refuse collection vehicle

Priorities for the year ahead:

- Post pandemic recovery – normalise margins in I&C.
- Continue strong track record of Municipal tendering and mobilisation.
- Acquisitions: integrate Viridor and Simply Waste
- Identify further opportunities to roll out eRCVs.
- Investment focus remains on improving efficiency of Collections, processing and back office function operations.

+ Risks: See pages 72 – 78



£189m¹

investment committed since CMD

1. Includes Viridor transaction (£143m).

Supporting customers to achieve net zero emissions

Biffa has been working with our customer, Yorkshire Water, to come up with a sustainable solution for grit, the by-product of sewage treatment works, which has historically been sent to landfill.

The grit is now collected by Biffa and processed into a blended material, which is suitable for the construction sector to use in concrete building blocks. The water used to wash the grit is also re-used and is provided to tree planting projects across Yorkshire.

This new sustainable waste management process has enabled Yorkshire Water to reduce their operational carbon emissions by 80%, helping them to make significant headway in their ambition of achieving net zero emissions by 2030.

UK's largest fleet of electric refuse collection vehicles get the green light

In March 2021, Biffa launched the UK's largest fleet of electric refuse collection vehicles (eRCVs) designed to reduce air pollution levels in the city of Manchester.

27 brand-new zero emissions eRCVs were rolled out, in partnership with Manchester City Council, which has invested £10 million.

Manchester City Council is one of the first local authorities in the UK to transform its fleet with electric refuse vehicles following two years of successful trials with Biffa. Using Biffa's electric fleet will allow the Council to make significant progress against its zero carbon action plan and will provide long term environmental benefits.




Phasing out the existing diesel-powered collection vehicles at the end of their current useful economic life and replacing them with new electric powered vehicles will help towards the UK reaching its 2050 net zero emissions target.

FINANCIAL

KEY PERFORMANCE INDICATORS

		Performance
Organic Net Revenue¹ Growth (%)	<div> <div>2021 (11.6)</div> <div>2020 2.5</div> <div>2019 (0.4)</div> </div>	As a result of Covid-19, the Collections division experienced an organic revenue decline of 20.1%. Despite these challenges, the I&C Collections division achieved strong levels of new business wins and retentions. New customer contracts and extensions include TFL, SSE, Parkdean Resorts, Wincanton Logistics and Barratt Developments plc.
Acquisition Net Revenue¹ Growth (%)	<div> <div>2021 1.2</div> <div>2020 4.5</div> <div>2019 2.9</div> </div>	<p>We completed three acquisitions in the second half of the year for a combined cash consideration of £119.1m. The full benefits of these acquisitions are yet to be reflected in the Group's performance.</p> <p>We have subsequently announced that we have reached agreement to acquire Viridor's Collections business and certain Recycling assets for a cash consideration of c. £126m. We have also reached agreement to buy Scotland's only Plastics Recycling Facility from Green Circle Polymers Limited.</p>
Operating Profit Margin excluding adjusting items (%)	<div> <div>2021 4.2</div> <div>2020 7.8</div> <div>2019 7.5</div> </div>	Operating Profit Margin excluding adjusting items has reduced as a direct result of the impact of Covid-19. Despite the impact of pandemic lockdowns the Group has delivered a resilient financial performance.
Return on Operating Assets (%)	<div> <div>2021 9.2</div> <div>2020 19.4</div> <div>2019 25.5</div> </div>	Return on Operating Assets decreased due to the fall in Operating Profit excluding adjusting items.
Return on Capital Employed (%)	<div> <div>2021 1.9</div> <div>2020 8.9</div> <div>2019 9.4</div> </div>	Return on Capital Employed decreased due to the impact of Covid-19 on Operating Profit excluding adjusting items. Capital Employed also increased as a direct result of the proceeds of the equity raise having been invested in full in the Group's in-year acquisitions and ongoing development of plastics and EfW infrastructure for which the Operating Profit gain is yet to be fully realised.
Earnings per Share excluding adjusting items (pence)	<div> <div>2021 7.7</div> <div>2020 23.1</div> <div>2019 20.6</div> </div>	Earnings per share excluding adjusting items has declined as a result of the impact of both Covid-19 on Profit after Tax excluding adjusting items and the increased number of shares as a result of the share issues in the year.
Leverage Ratio (x)	<div> <div>2021 3.3</div> <div>2020 2.4</div> <div>2019 2.1</div> </div>	Leverage has increased due to the reduction in EBITDA excluding adjusting items as a direct result of the impact of Covid-19 plus an increase in lease liabilities as a result of the acquisitions completed in the year. The targeted covenanted leverage ratio is based on EBITDA excluding adjusting items as a multiple of net debt excluding IFRS 16 lease liabilities. The calculation on this pre-IFRS 16 basis leads to a leverage ratio for FY21 of 2.2x (FY20: 1.8x).





For technical terms and abbreviations please refer to the glossary on pages 191 – 192.

Target	Remuneration Linkage	Link to Strategic Pillars	Definition
CPI +1%.	Associated with annual bonus financial or personal metrics.	 Building a circular economy	The increase/(decrease) in Net Revenue in the period excluding Net Revenue from acquisitions completed in the period and Net Revenue from acquisitions completed in the prior period up to the anniversary of the relevant acquisition date, to the extent such Net Revenue falls in the current period. Where comparative periods differ in duration, the KPI is adjusted on a pro-rata basis.
> 2.5%.	Associated with annual bonus financial or personal metrics.	 Building a circular economy	Acquisition Net Revenue Growth in any period represents the Net Revenue Growth in the relevant period from (i) acquisitions completed in the relevant period and (ii) any acquisitions completed in the 12 months prior to the relevant period up to the 12-month anniversary of the relevant acquisition date (to the extent such Net Revenue falls in the current period). Acquisition Revenue Growth is calculated on the same basis, using revenue in place of Net Revenue.
Continuous improvement.	Associated with annual bonus financial or personal metrics.	 Building a circular economy	Profit before adjusting items, finance costs and taxation expressed as a percentage of revenue.
Grow to over 20% and maintain above this level.	Associated with annual bonus financial or personal metrics.	 Building a circular economy	Operating Profit excluding adjusting items divided by the average of opening and closing Tangible Fixed Assets plus net working capital.
Grow to over 10% and maintain above this level.	Associated with annual bonus financial or personal metrics.	 Building a circular economy	Operating Profit excluding adjusting items less amortisation of acquisition intangibles divided by the average of opening and closing shareholders' equity, Net Debt (including lease liabilities), pensions and environmental provisions.
Consistent growth.	LTIP – Earnings Per Share 50%.	 Building a circular economy	Profit After Tax excluding adjusting items divided by the number of shares in issue.
<2.5x and to return to ≤2x over medium term (pre-IFRS 16).	Associated with annual bonus financial or personal metrics.	 Building a circular economy	Net Debt: EBITDA excluding adjusting items.

SUSTAINABILITY

KEY PERFORMANCE INDICATORS

		Performance
Lost Time Injury Rate	2021	0.41
	2020	0.23
	2019	0.39
		The LTI rate at year-end FY21 was 0.41. There has been a rise in LTIs most notably caused by slips, trips and falls. Whilst this increase in LTIs is disappointing, meeting the challenges associated with providing a Covid-secure work environment has been our priority to ensure we keep our staff and customers Covid safe whilst continuing to deliver an essential service during the pandemic.
CO ₂ e Emissions (kt)	2021	533
	2020	647
	2019	747
		Our emissions were 533kt CO ₂ e, in FY21. This 17% reduction on FY20 is due to a combination of continued carbon capture efficiency improvements of landfill gas, a decrease in active waste to landfill and reduced fuel usage during the year as a result of Covid-19.
Employee Engagement (%)	2021	59
	2020	58
	2019	58
		We have improved our Employee Engagement score to 59%, which is 3% above the UK average score and 8% below the top quartile.
Plastics Recycling Capacity (kt)	2021	120
	2020	120
	2019	63
		Our total plastics recycling capacity is 120,000 tonnes. We are in the process of building additional capacity at our Washington facility, which will be commissioned in early FY22 and will provide an additional 22,000 tonnes of capacity.

Target	Remuneration Linkage	Link to Strategic Pillars	Definition
50% reduction in LTIs by 2030.	Associated with annual bonus financial or personal metrics.	 Caring for our people, supporting our communities	The number of LTIs across the workforce.
Reduce emissions by 50% by 2030 and to have net zero emissions no later than 2050.	Associated with annual bonus financial or personal metrics.	 Tackling climate change	The amount of Scope 1 and 2 greenhouse gas emissions emitted across the organisation.
To be a top quartile business for Employee Engagement. To be externally recognised as an exemplary employer.	Associated with annual bonus financial or personal metrics.	 Caring for our people, supporting our communities	% of employees engaged, as determined by our all-employee survey.
Quadruple plastics recycling capacity by 2030.	Associated with annual bonus financial or personal metrics.	 Building a circular economy	The availability of UK plastics recycling infrastructure which Biffa owns and operates.

Chief Financial Officer's Review



“One of our key priorities from the outset of the pandemic was to protect the Group’s financial strength.”

Richard Pike
Chief Financial Officer

Group Performance

In the year we experienced a revenue reduction of £121.1m. Despite this, EBITDA excluding adjusting items margins held up well across FY21 at 13.3% (FY20: 15.0%).

One of our key priorities from the outset of the pandemic was to protect the Group’s financial strength. Several measures were implemented to support this:

- M&A activity was put into abeyance.
- All non-essential and uncommitted capital expenditure were deferred until the equity raise.
- All areas of the operating cost base were reviewed to ensure our operating model was fit for purpose.
- Due to the impacts of Covid-19, no final dividend was paid in respect of FY20 nor have any dividends been declared in respect of FY21.
- £12.0m of government support received for up to 1,800 staff furloughed under the Government’s Coronavirus Job Retention Scheme (CJRS) at various periods during the year. By the end of March 2021, we had ceased receiving furlough support.
- The Board and Group Executive Team took a voluntary 20% reduction in salary from 1 April – 30 September 2020.
- Biffa’s Leadership group, representing a further 85 people, took a 10% reduction in salary for the same period.
- All pay increases were suspended for the most senior participants through FY21.
- Bonus entitlements for Leadership group earned for FY20 were satisfied in shares and our annual bonus scheme for FY21 was cancelled.
- Rightsizing I&C operations by re-routing trucks, taking c. 39% of the frontline fleet off the road.
- Covenant amendments and additional liquidity headroom agreed to cater for all modelled scenarios.
- £100m equity raise in June 2020 to help us pursue our strategic growth plans.
- Short term assistance from HMRC payment deferrals, all of which were settled by the end of March 2021.

These measures gave us the ability to better shoulder the downturn and progress our strategic priorities over FY21.

Taking account of all of the above, EBITDA margins excluding adjusting items held up well across FY21 at 13.3% (FY20: 15.0%) and the key factors impacting on performance are demonstrated most clearly by being split down by quarter:

- In the **first quarter**, we saw nearly 50% of our I&C and Landfill customers close their doors to business and as such, require no waste management services. This resulted in a loss of around £70m of revenue versus FY20. Despite this, we still managed to remain positive at the level of EBITDA excluding adjusting items throughout the quarter, albeit obviously benefiting from furlough support.
- In the **second quarter**, as the economy opened back up, the demand for our services rapidly improved and we saw I&C volumes recover to around 95% of prior year levels by the end of the quarter. The main negative factor in the quarter was depressed performance in the Seaham recycling facility, where depressed flake prices and PRN values impacted on performance. However, overall due to ongoing efficiency measures, the Group generated a similar EBITDA margin excluding adjusting items to that achieved in the first half of FY20.
- In the **third quarter**, we had further strong performance in October, followed by a month of lockdown in November and then recovery again in December. The negative performance issues in Seaham remained and yet the Group still managed to deliver overall EBITDA excluding adjusting items slightly ahead of FY20.
- In the **final quarter**, which was impacted by lockdown measures for all three months, I&C volumes remained around 82% of prior year levels and we generated £27.2m of EBITDA excluding adjusting items compared to £28.7m in FY20.

As a result, despite lockdown impacts over four of the six months of the second half, we delivered H2 EBITDA excluding adjusting items of £79.8m,

compared to just over £87.2m in FY20; and FY21 EBIT excluding adjusting items of £44.2m (FY20 £90.5m), slightly ahead of the range guided in the pre-close trading update in March.

Our year-end reported net leverage position of £456.8m resulted in a net debt: EBITDA ratio of 3.3x. When looked at on a pre IFRS16 bank covenanted basis this is 2.2x.

Following the £100m equity raise in June 2020, we made the following investments in the business:

- The acquisition of the Simply Waste and Ward Recycling I&C businesses for a total consideration of £35.3m plus £9.1m of IFRS 16 leases assumed. This includes potential deferred and contingent consideration of £2.2m.
- Investment in plastics recycling including Seaham, Washington, and Aldridge upgrades, with a total of £13.1m spent in year.
- Further equity and shareholder loans to facilitate the ongoing build of our Protos and Newhurst energy from waste facilities of £12m.
- The acquisition of Company Shop Group in February 2021 for a total commitment of £86.0m excluding deferred and contingent consideration plus £10.0m of IFRS 16 leases assumed.

When we combine the impact of these investments with the recovering revenue and profit trends within the business; we are well placed going into FY22 to take advantage of the exciting growth opportunities ahead of us. Which then brings us onto the agreement to acquire Viridor's Collections business and certain Recycling assets for a cash consideration of c.£126m, plus the assumption of c. £17m of IFRS 16 lease liabilities. The acquisition expands Biffa's collections business and recycling capabilities, broadening customer base and solidifying our leading position in UK sustainable waste management.

Statutory Performance

To enable a better understanding of business performance, certain items are excluded when calculating the Group's business performance. These Alternative Performance Measures (APMs) are also used to enhance the comparability of information between reporting periods and the Group's divisions.

Adjusting Items

Adjusting items are fully explained in Note 3 to the Financial Statements. The main items contributing to this total were asset impairment charges relating to the Poplars AD plant (£8.2m) and the IT replacement project (£13.7m); an uplift of the onerous contract provisions of £10.3m; the decrease in the real discount rate on provisions of (£20.6m); and an increased level for amortisation of acquisition intangible assets (£27.4m). Tax relating to adjusting items was a credit of £18.7m.

The onerous contract provision relates to three specific legacy contracts that became onerous in prior years due to exceptional circumstances, we would not expect any other contracts to be separately reported in the absence of any future external regulatory change. Following the initial pause to the project from Covid-19, management have reviewed the scope and requirements of the IT replacement programme and identified an incompatibility of the current HR module and made a strategic decision to cease the full project and replan it post the integration of the Viridor acquisition.

The Poplars AD plant impairment was driven by a value in use assessment following the decline in food waste volumes seen over the last year as a result of Covid.

The total cash impact of adjusting items in FY21 was £11.0m (FY20: £14.0m).

A reconciliation from Operating Profit excluding adjusting items to Statutory (Loss)/Profit after tax is set out below:

Group £m (unless stated)	FY21	FY20	Change £m	Change (%)
Operating Profit/(Loss) excluding adjusting items ¹	44.2	90.5	(46.3)	(51.2)
Finance income	3.2	2.3	0.9	39.1
Finance charges	(17.6)	(21.0)	3.4	(16.2)
Share of joint venture	(0.8)	(0.1)	(0.7)	n/a ²
Profit/(Loss) before Tax excluding adjusting items	29.0	71.7	(42.7)	(59.6)
Adjusting items:				
Onerous contracts	(10.3)	1.5	(11.8)	(786.7)
Strategy-related and restructuring costs	0.4	(1.0)	1.4	(140.0)
Acquisition related costs	(2.0)	(1.1)	(0.9)	81.8
Asset Impairment	(21.9)	(3.8)	(18.1)	476.3
Amortisation of acquisition intangibles	(27.4)	(16.9)	(10.5)	62.1
Impact of changes in real discount rate on provisions	(20.6)	4.9	(25.5)	(520.4)
Interest (net)	–	1.1	(1.1)	(100.0)
Tax credit/(charge)	12.3	(10.8)	23.1	(213.9)
Profit/(Loss) after Tax	(40.5)	45.6	(86.1)	n/a ²

1. Operating Profit/(Loss) excluding adjusting items includes central costs of £16.7m (FY20 £19.5m).

2. Calculation is not applicable as does not provide meaningful analysis to the figures.

Chief Financial Officer's Review continued

Finance Income and Charges

Financing costs excluding adjusting items fell again versus the prior year due to the equity raise and strong cash management during the period. The cost of bank funding fell as a result of the equity raise, leading to lower overall average borrowings and resulting lower margins. Finance lease costs also fell due to the natural decline of the number of older, more expensive lease liabilities. A breakdown in net finance charges is below:

	FY21 £m	FY20 £m	Variance £m	Variance %
Interest on net borrowings	6.7	10.7	(4.0)	(37.4)
Interest on lease liabilities	8.5	8.4	0.1	1.2
Unwinding of discount provision	1.8	1.6	0.2	12.5
Interest on forward contracts	0.6	–	0.6	n/a ¹
Pensions and other interest	(3.2)	(2.0)	(1.2)	60.0
Net finance charges excluding adjusting items	14.4	18.7	(4.3)	(23.0)
Discounts unwind on EVP preference instrument and IPO costs	–	(1.1)	1.1	n/a ¹
Net finance charges	14.4	17.6	(3.2)	(18.2)

1. Calculation is not applicable as does not provide meaningful analysis to the figures.

Taxation

The Group remains committed to fully discharging its responsibilities in respect of all relevant tax legislation in a clear and transparent manner based on a collaborative relationship with all tax agencies. Our tax strategy is approved annually by the Board and is available on the Group's website.

The statutory effective tax rate was 23%, slightly higher than the prevailing rate due to certain charges being disallowed for UK corporation tax and adjustments relating to prior periods. Payments in respect of corporation tax in the year were £0.6m (FY20 £0.2m). The Group's deferred tax balance of £11.1m includes balances totalling £40.8m in respect of Accelerated Capital Allowances, previously written off goodwill and losses which will continue to moderate tax payments in future years.

Earnings per Share

Earnings per Share excluding adjusting items fell by 67% to 7.7 pence from 23.1 pence in the prior year. In addition, Total Earnings per Share resulted in a loss of 13.7 pence, compared to the prior year 18.3 pence, as a result of Covid-19 impacted trading performance and one-off adjusting items also resulting mainly from Covid-19.

Retirement Benefits

The Group operates defined pension schemes for certain employees. These are closed to new members and to future accrual (except for a small number of members who have protected entitlements under local Government contracts). At the year end, the net retirement surplus was £112.1m (prior year £124.7m). The Biffa Pension Scheme had an actuarial deficit of £29.2m at the time of the last valuation in March 2018 (compared with £66.7m in March 2015), and an inflation-linked annual payment of £4.3m has been agreed with the Trustee of the scheme.

Capital Allocation

The Group seeks to balance the allocation of its discretionary capital between shareholder returns, organic growth opportunities and the Group's four key investment areas: Reduce, Recycle, Recover and Collect. The main areas of capital allocation are I&C M&A, Plastics recycling capacity, EfW and the recently acquired CSG, which broadens our capabilities and enable the prevention of waste through redistribution of surplus produce.

As mentioned above, we acquired the Ward Recycling and Simply Waste I&C businesses for a combined consideration of £35.3m plus £9.1m of IFRS 16 lease liabilities assumed (including deferred and contingent consideration of £2.2m). We made £13.1m of investment into plastics recycling facilities at Seaham, Washington, and Aldridge and £12m of shareholder contributions to our EfW JVs. CSG was acquired for £86.0m excluding deferred and contingent consideration plus £10m of IFRS 16 lease liabilities assumed.

Post year end, we agreed to acquire Viridor's Collections business and certain Recycling assets for a cash consideration of c. £126m, plus c. £17m of IFRS 16 lease liabilities assumed.

The Group has a target leverage ratio of range (on a bank covenant basis, pre-IFRS 16) of 2.0-2.5x. Following the completion of the acquisition of Viridor's Collections business and certain Recycling assets, leverage levels are expected to briefly exceed that range before returning to the lower end of the range within 12-18 months of completion of the acquisition.

Due to the impacts of Covid-19, the Board is not recommending a final dividend for the FY21 year. As no interim dividend was paid, this resulted in no overall dividend for the year, compared to the 2.47p interim dividend paid last year. We are conscious of the importance of returning to paying dividends and will continue to review the timing of a dividend reinstatement.

Cash Flow

Another year of focus on strong cash flow delivery in the year enabled the Group to exit the year with a strong balance sheet even after the impacts of Covid-19 and our ongoing investments through the period.

A summary of the Group's cash flows is shown below:

	FY21 £m	FY20 £m	Variance £m
EBITDA excluding adjusting items	138.2	174.0	(35.8)
Working capital movement	5.0	12.0	(7.0)
Net capital expenditure	(47.9)	(55.8)	7.9
Net interest paid	(14.5)	(16.9)	2.4
Lease principal payments	(43.4)	(50.2)	6.8
Pension deficit payments	(4.0)	(0.9)	(3.1)
Employee share scheme purchase	(4.5)	(6.0)	1.5
Exercise of share options	4.9	–	4.9
Tax paid	(0.6)	(0.2)	(0.4)
Free Cash Flow excluding adjusting items	33.2	56.0	(22.8)
Adjusting items	(11.0)	(14.2)	3.2
Sale of rights to shares in joint venture	2.8	–	2.8
Acquisitions (net of cash acquired)	(103.1)	(5.1)	(98.0)
Changes in borrowings	(59.1)	0.5	(59.6)
Equity raise	97.7	–	97.7
Investment in joint ventures	(8.4)	(5.0)	(3.4)
Loan to joint ventures	(3.6)	(2.4)	(1.2)
Movement in financial assets	(5.5)	10.1	(15.6)
Dividends	–	(18.3)	18.3
Net increase/(decrease) in cash and cash equivalents	(57.0)	21.6	(78.6)

Free Cash Flow excluding adjusting items has remained strong despite the £35.8m reduction in EBITDA excluding adjusting items. This is due to another year of strong management of the accounts receivable book, taking overdue balances to their lowest level the IPO in 2016, coupled with Covid-19 related reduction in non-essential capital expenditure and finance lease payment deferrals.

The net cash outflow of £57.0m is a combination of the ongoing investments in acquisitions, plastics recycling facilities and the funding of the JV EfW construction activities; the equity raise that facilitate this investment and the termination settlement payment to exit the North Somerset Municipal contract in March 2021.

Systems Replacement Programme

The Group-wide IT system replacement programme, Project Fusion, was impaired during the period. Following the initial pause to the project from Covid-19, management have reviewed the scope and requirements of the IT replacement programme and identified an incompatibility of the current HR module and made a strategic decision to cease the full project and replan it post the integration of the Viridor acquisition. As a result, obsolete capitalised work of £13.7m has been written off in the year.

Net Debt and Financing Facilities

Reported Net Debt at year-end breaks down as:

Reported Net Debt (£m)	FY21 £m	FY20 £m	Variance £m	Variance %
Cash	30.8	87.8	(57.0)	(64.9)
Loans	(197.6)	(249.0)	51.4	(20.6)
Lease liabilities	(283.7)	(258.0)	(25.7)	10.0
EVP preference instrument	(6.3)	(6.3)	–	–
Total	(456.8)	(425.5)	(31.3)	7.4

Reported Net Debt excludes £41.3m (FY20 £41.3m) of EVP preference instrument liability in respect of the EVP dispute. £6.3m of these costs is included in Reported Net Debt as it will be payable irrespective of the outcome of the dispute and is therefore considered core debt.

Legal cases

The Group is currently engaged in various legal disputes, including but not limited to the following:

- **EVP:** We are engaged in a dispute with HMRC concerning historical landfill tax. Biffa was unsuccessful in the Court of Appeal hearing held in March 2021 and is seeking leave to appeal to the Supreme Court.
- **Hazardous Waste:** As previously disclosed, HMRC assessed Biffa for £8.5m of landfill tax relating to the period 2012 to 2016. Biffa paid these monies to HMRC in December 2019 and is appealing the assessment. The cash payment is held on the balance sheet within prepayments as we expect to successfully defend this case.

The Group consider that it is still more likely than not that both these cases will be won.

Financial Reporting Council (FRC) Information Request

In November 2020, we received a request for information on the reporting treatment of certain areas from the FRC, following a review of the Group's 2020 Annual Report and Accounts. The request focused on revenue recognition. We responded fully and on a timely basis to the FRC, enabling it to close its enquiry in January 2021. As a result of the enquiry, we made a number of small disclosure changes in this year's Financial Statements.

Richard Pike

Chief Financial Officer
31 May 2021

COLLECTIONS DIVISION



David Bird

Chief Operating Officer,
Collections division

The Collections division comprises the Industrial and Commercial, Municipal and Specialist Services businesses. As previously reported, Specialist Services will be separated from the Collections division and joined with the Company Shop Group business to create a new Specialist Services division from FY22. Both the Collections and Specialist Services divisions will be led by David Bird, who has been appointed Chief Operating Officer of the Collections and Specialist Services divisions and replaces Jeff Anderson, who retired at the end of the financial year.

The Collections division provides sustainable waste collections, recycling and related services to industrial, commercial, public sector and local authority customers.

	FY21 £m	FY20 £m	Change %
I&C	495.5	603.7	(17.9)
Municipal	182.1	177.3	2.7
Specialist Services	92.4	89.8	2.9
Statutory Revenue	770.0	870.8	(11.6)
EBITDA excluding adjusting items	109.8	126.4	(13.1)
Operating Profit/(Loss) excluding adjusting items	49.1	72.2	(32.0)
Operating Profit/(Loss) Margin excluding adjusting items	6.4%	8.3%	n/a¹
Statutory Operating Profit/(Loss)	36.0	66.1	(45.5%)

1. Calculation is not applicable as does not provide meaningful analysis to the figures.

In the Collections division, the impact of the pandemic was particularly challenging in the I&C business with many customers forced to temporarily close and volumes dropping to around 50% of prior year in Q1. Swift action was taken to mitigate the impact of the pandemic and the business recovered well across the year despite the various lockdowns across the UK. Against this testing economic backdrop, Statutory Revenue in the Collections division recovered ahead of our base case expectations, albeit still decreasing by 11.6% to £770.0m (FY20: £870.8m). As a result, EBITDA excluding adjusting items fell 13.1% to £109.8m (FY20: £126.4m).

Adjusting items in the period totalled £13.1m. These include £1.8m of acquisition costs and £6.2m of movement on onerous contract provisions, £4.6m of amortisation of acquisition intangibles and £0.5m impact of movement in real discount rates on provisions.

The division continues to make acquisitions, in line with its growth strategy and, during the year acquired Ward Recycling, Simply Waste and CSG. Following the year end, Biffa announced its agreement to acquire the Collections business and certain Recycling assets from Viridor, expanding our collections business and recycling capabilities, broadening our customer base, and solidifying our leading position in UK sustainable waste management.

I&C

The I&C business provides waste collection and materials handling services for commercial customers, covering 95% of UK postcodes. Biffa is the largest manager of business waste in the fragmented UK I&C collections market benefitting from scale, route densities and lower operating costs.

Market conditions

The pandemic had a clear and material impact on the I&C business during the first quarter as nearly 50% of customers were forced to temporarily close their operations. Despite the subsequent lockdowns, the business recovered over the course of the year as more customers were able to continue operating even with restrictions. As we look into FY22, the ongoing reopening of the economy, gives us cautious optimism that the business will continue to recover.

Performance summary

Despite being severely impacted by the Covid-19 pandemic, the I&C business recovered ahead of our base case expectations. Volumes decreased by c. 50% compared to pre-pandemic levels during the first lockdown, but as the economy opened back up these recovered back up to 95% of prior year levels across the second quarter of the year. Volumes and revenues held up well during H2 despite four of those six months being lockdown impacted, and overall revenues ultimately averaged out at 82% of prior year levels (£495.5m).

The strong recovery was thanks to the hard work of the I&C team who took the opportunity to re-route the business as we remobilised after the first lockdown and this has enabled us to become more efficient. As a result, the business also achieved lower ongoing unit operating costs, as a result of the enduring benefits of double shifting vehicles, improving lifts per day and reducing the number of operating vehicles required to service our customers.

As a result of the lockdown and resultant volume decline, organic revenue declined by 20.1%. Despite this, I&C achieved strong levels of new business wins and retentions, particularly as some smaller operators have struggled to ensure continuity of service. There were low levels of churn (<5% annualised) and new corporate customers and contract extensions included: TFL, SSE, Parkdean Resorts, Wincanton Logistics and Barratt Developments plc.

In the Small to Medium Enterprise (SME) market, the I&C business performed strongly, despite the pandemic impacting field sales. Successful targeting of SME volumes through our telesales service and new e-commerce platform has helped to produce strong sales volumes and new customer wins. The supplementary service generated sales with an annualised order value of £770,000 in the first five months of trading and generated a significant number of leads into the sales centre. We have recruited additional roles into our marketing function to support our digital growth.

There are increasing requirements from customers for us to contribute towards their sustainability

agendas, specifically in support of building a circular economy and tackling climate change – areas which are aligned with Biffa's sustainability strategy, 'Resourceful, Responsible'.

We are currently trialling a new self-designed carbon mapping tool which will enable customers to map the carbon footprint of their waste. By giving them access to quality data, we are providing customers with better transparency of their emissions which will enable working together to reduce carbon impacts. We are also working with our customers to help make their packaging more recyclable, by offering expertise at the product design stage. Ultimately, investing further up the waste hierarchy or supply chain will enable Biffa to improve the circularity of the economy.

Despite the difficulties faced in the year, we were pleased to make two acquisitions, Ward Recycling in September 2020 and Simply Waste in October 2020. Integration of Ward Recycling was completed within three months and the business is performing well, with normal volumes resumed. Simply Waste was not integrated during the pandemic, partly due to the earn out period on the deal and partly to minimise disruption and to best serve its core markets. Integration is progressing to plan and will be completed during FY22.

Strategy and outlook

We have continued to deliver on our plan to consolidate the fragmented I&C collections market. Acquisitions are highly synergistic, with the removal of duplicate routes and locations, and result in a more efficient, flexible service

proposition for our customers with a lower-carbon intensity. Acquisitions are the key to us delivering our long-term plan to be the leading collector of business waste in the UK, enjoying sector-leading margins and returns on capital.

We are looking to expand the services we offer our established corporate customer base and capitalise on the synergies we have available through the acquisition of CSG, as well as expanding our SME customer base.

The development of non-scheduled services such as skip hire and van collections continues to be a focus for growth. We have created a new digital materials management platform which enables a seamless approach to booking skips, and we were delighted to be awarded a number of contracts in this area, including for Barratt Developments PLC. Strong interest has been demonstrated from other housebuilders with trials planned for FY22.

There is an opportunity to leverage our digital capabilities to support customers with their sustainability agendas, as well as investing in our e-commerce platforms, providing additional customer features on our self-serve web portals, and introducing further digital products to market. This strategy is being developed and will see a new Customer Zone launched in FY22 providing improvements to an already leading-edge customer self-service portal as well as developments in allowing customers to get quotes and book services directly which we believe will see increase revenues and improve customer service.

ACQUISITION: SIMPLY WASTE

Simply Waste, who we acquired in October 2020, is a prominent, well-regarded operator in the south of England. Its operational locations in West London, Oxfordshire and Bristol service over 3,000 customers and align well with Biffa's existing portfolio.

The business is well structured with a strong management team. Integration is progressing to plan and of some of the sub-contracts held by Simply Waste are on track to be delivered onto Biffa wheels by end of FY22.



Operating Review – Collections Division continued

We are refining our customer offering with the introduction of our Customer First Programme will help us to continue to improve service levels and support our customers in preparing for the UK's Environment Bill, RWS for England and similar strategies put in place by the UK Devolved Administrations, which will come into effect in the next few years.

As part of our agreement to acquire Viridor's Collections business and certain Recycling assets, upon completion of the deal the Group will acquire Viridor's nationwide I&C fleet of 270 vehicles along with 15 depots across the UK, servicing 21,000 customers, generating £85m of revenue in FY20 (March year-end) and completing over three million lifts each year. The business will be integrated into Biffa's existing I&C platform across the UK.

Municipal

The Municipal business provides household waste and recycling collections, street cleaning and other services for households, on behalf of local authorities.

Market conditions

Our Municipal business is number two in the UK domestic market, serving 33 local authorities and is highly regarded as a key partner, delivering a high-quality service.

With people spending more time at home over the last year, the Municipal business naturally experienced a strong demand for services and higher volumes. As the business operates a fixed fee model, revenue remained stable. The business balanced these high volumes with increased staff-absenteeism levels which peaked at approximately 20% during the initial few months of the pandemic. Employees from the I&C team were seconded to support with these increased volumes and higher absence levels.

The market is stabilising, with fewer players entering and a more equitable risk balance between the public and the private sector. As a result of the pandemic this year, we have seen fewer contracts come to market for re-tendering as councils have focused their efforts elsewhere. Biffa has seen the benefit of this in the high number of extensions we have secured.

The business is well placed to benefit from the UK's Environment Bill, RWS for England and similar strategies put in place by the UK Devolved Administrations in the next few years, as demand for recycling services from local authorities increases. We are yet to see how this will be funded but expect to see budgets for local authorities increase as a result.

Performance summary

New contract wins in the period include Anglesey, which adds to Tandridge, Winchester and Cornwall, which we successfully mobilised in the year. We also negotiated profitable extensions on the Crawley, Thurrock, East Lothian, Portsmouth, Lincoln, and Rutland contracts and successfully negotiated the exit from the loss-making contract in North Somerset, which came into effect at the end of FY21. The combined performance delivered revenues up 2.7% at £182.1m.

Another success area this year has been the investment in our control room, which monitors the safety, customer service and efficiency of around 575 Municipal vehicles. This remote monitoring has had a positive impact on our CO₂ emissions, by reducing the number of vehicles out in service to do physical inspections. We're also making better use of the telematics on the vehicles to monitor driver performance and behaviours to ensure we deliver a good service in a safe environment.

We've seen a significant increase in our Green Waste Club membership this year by around 15%. This growth has been driven by more people working from home and the reduction in Household Waste Recycling Centre availability during the pandemic. The Green Waste Club is a subscription-based club providing the customer with a wheeled bin that is collected fortnightly from the edge of their property. Working in partnership with the local authority, Biffa transports the garden waste to a local facility where it is composted.

One of the growing areas where Biffa's Municipal business can add real value is sustainability. Councils are looking to decarbonise their fleets by switching to electric vehicles and alternative fuels, which also forms a key area of Biffa's sustainability strategy. In the year we successfully launched the UK's largest fully electric refuse collection fleet in Manchester.

We have a stated ambition to progress towards Living Wage Foundation rates for our lower paid workers and are making steps towards that with the introduction of a threshold across the business to ensure that all our employees are paid above the National Minimum Wage.

Following the acquisition of CSG, we have established strong links with the Community Shop social enterprise. We see great potential as a significant local employer to support Community Shop's work, including through providing a pathway to employment for long-term unemployed people. We also now have dedicated investment in education and training, specifically around teaching the younger generation to recycle more.

Strategy and outlook

This year has particularly highlighted the resilience of the business, both operationally and financially following a period of stabilising the business last year. We have a secure foundation to grow, taking advantage of the opportunities that the UK's Environment Plan, England's RWS, and similar strategies put in place by the UK Devolved Administrations, will present in alternative fuels and the deployment of electric vehicles.

Going forward, the business will continue to focus on delivering an efficient, high-quality service, keeping costs firmly under control and delivering efficiencies through the increased use of technology.

We will continue to build our complementary and adjacent Non-Local Government revenue streams whilst delivering high quality, commercially robust and risk appropriate tenders for new business in our core market.

As part of our agreement to acquire Viridor's Collections business and certain Recycling assets, two waste management contracts, which include household recycling, will be added to the Municipal business upon completion of the deal. These contracts generated £11m of revenue in FY20.



Specialist Services

The Specialist Services business provides bespoke solutions to customers who have more complex waste requirements such as manufacturing and distribution businesses. Services include on site services and equipment rental (Integrated Resource Management or IRM), hazardous waste collection and treatment and packaging producer responsibility compliance services (Biffpack).

During the year, the Group acquired CSG, adding surplus redistribution capabilities to the suite of services Biffa is able to provide to these customers.

Market conditions

The market for Specialist Services is growing and Biffa's unique position in having a fully integrated waste management platform means we can take advantage of cross-selling services from our I&C customer base in addition to our strength in supporting e-commerce customers who have tended to have a stronger year due to the levels of online shopping associated with the pandemic.

Market conditions remained stable this year, as the majority of customers maintained their services throughout the pandemic and food manufacturers in particular became extremely busy. We saw a reduction in volumes for some of the larger industrial groups, including car manufacturers, who provide some of the materials into our treatment plants. However, as market confidence has gradually returned, we have seen a recovery of our volumes in all core parts of the business.

We are continuing to engage with the UK Government, to ensure our opinions on packaging compliance reforms are considered during the development of new waste policy and regulatory measures, including the RWS for England and similar strategies put in place by the UK Devolved Administrations.

Performance summary

Specialist Services performed very strongly over the year, with profits excluding adjusting items up on the prior period. The resilient nature of the customer base, who are predominantly in food manufacturing and retail distribution services, has helped Specialist Services to maintain this solid performance.

IRM continued to grow its waste segregation revenues with both existing and new customers. We further improved business performance excluding adjusting items in Hazardous Waste by leveraging Biffa's I&C customer base to provide additional collection and treatment services to customers. Biffpack maintained a consistent level of service, helping customers to meet their legal compliance with packaging regulations.

Company Shop Group

A key highlight of the year was the acquisition of Company Shop Group, the UK's leading and largest redistributor of surplus food and household products, strengthening Biffa's leadership position in the UK circular economy.



Biffa's leading expertise in waste management and recycling, coupled with CSG's unrivalled capabilities in redistributing surplus produce, will deliver a unique circular economy proposition for the food manufacturing, retail and FMCG e-commerce sectors.

Both businesses share strong customer and supplier base alignment and there is a significant opportunity to cross-sell and up-sell Biffa and CSG's complementary services, especially within the Specialist Services business. Biffa has an enviable list of long-standing customers across CSG's target supply sectors, many of whom do not yet engage meaningfully in surplus redistribution. We are uniquely well placed to facilitate the link with these customers, alongside the provision of its existing waste and recycling services.

Discussions with our corporate customer base are currently underway regarding this new combined offering and the feedback has been very positive. The performance of CSG since its acquisition in February has been in line with our expectations, with footfall in stores being lower than normal due to lockdown restrictions. As restrictions ease, we are now seeing a recovery in footfall and spend levels. We were delighted to open the Dudley store, on time and on budget, in March 2021.

Strategy and outlook

Going forward, the Specialist Services business will be separated from the Collections division to create a new division of the Group for external reporting purposes and will include IRM, Hazardous Waste, Biffpack and CSG.

The business has a great opportunity for growth, particularly in the Hazardous Waste and redistribution sectors. In Hazardous Waste we continue to build out our market share and enhance our digital capabilities. As communicated at the time of acquisition, there is also significant scope to expand CSG to secure more surplus volume and roll out the CSG store footprint across the UK.

As part of our agreement to acquire Viridor's Collections business and certain Recycling assets, an additional 3 depots and 1 wastewater treatment plant with a revenue of £7m (FY20) will be incorporated into the legacy Specialist Services business upon completion of the deal, expanding the division's liquid waste collection and treatment coverage and capabilities.

RESOURCES & ENERGY DIVISION



Mick Davis

Chief Operating Officer,
Resources & Energy division

The Resources & Energy division comprises the Recycling, Organics, Inerts and Landfill Gas businesses. The division focuses on the treatment, recycling, energy recovery and ultimate disposal of waste.

	FY21 £m	FY20 £m	Change %
Recycling	80.6	79.5	1.4
Organics	53.6	56.9	(5.8)
Inerts	98.4	112.6	(12.6)
Landfill Gas	39.4	43.3	(9.0)
Statutory Revenue	272.0	292.3	(6.9)
Recycling	80.6	79.5	1.4
Organics	53.6	56.9	(5.8)
Inerts	44.5	52.4	(15.1)
Landfill Gas	39.4	43.3	(9.0)
Net Revenue	218.1	232.1	(6.0)
EBITDA excluding adjusting items	40.7	63.4	(35.8)
Operating Profit/(Loss) excluding adjusting items	11.8	37.7	(68.7)
Operating Profit/(Loss) Margin excluding adjusting items	4.3%	12.9%	n/a¹
Statutory Operating Profit/(Loss)	(43.9)	32.5	(235.0)

1. Calculation is not applicable as does not provide meaningful analysis to the figures.

Against the challenging economic backdrop, overall Statutory Revenue for the division decreased by 6.9% to £272.0m (FY20: 292.3m) due to the impact of the pandemic. This had a significant impact on profitability with EBITDA excluding adjusted items reducing by 35.8% to £40.7m (FY20: £63.4m).

Adjusting items in the period totalled £55.7m. These include the movement of the onerous contract provision of £4.1m with Leicester City Council, £8.2m impairment of the Poplars AD plant, £22.8m of amortisation of acquisition intangibles, £0.6m of strategy and restructuring costs, and £20.0m impact of movement on real discount rate for provisions.

Market conditions

The pandemic had a significant impact on our markets in the year, reducing volumes of waste in our Inerts business (which predominantly is construction related) and Organics business (through reduced food waste volumes from the hospitality sector), and adversely impacting recycled plastic prices in our Recycling business. The main impact on the Landfill Gas business was reduced ROC prices.

There is continuing strong demand for recycled plastics due to ongoing consumer and brand preference, coupled with emerging Government policy. Recycled commodity prices however remain volatile, and we continue to reduce our exposure to commodity pricing in our contracts. Our strategy of a cost-plus model in our Polymers

business, coupled with variable gate fees in our MRFs, will ensure earnings become more de-risked.

Our materials recycling facilities are experiencing a significant rise in cardboard recycling as a result of increased home shopping during the pandemic. Our plants have successfully adapted to this change in material mix.

The landfill market continues to see the closure of sites as void space is filled with no near-term replacement sites, resulting in fewer landfill sites within the UK and waste being transported further. Biffa has responded by expanding its rail hub programme, which can transport inert waste cost effectively to alternative sites with capacity.

Performance summary

The majority of R&E sites remained operational throughout the pandemic, ensuring continuity of our essential services for our customers.

As previously reported, volumes in the Inerts business were severely impacted by the pandemic. Volumes dropped in Q1 to c. 50% of prior year, recovering in a similar fashion to I&C across the balance of the year.

In Polymers, our established HDPE operations were largely unaffected by the price weaknesses due to the cost-plus model referred to above being in place. There were short-term challenges with virgin plastic and PRN prices resulting in weaker results from the Seaham plant, particularly in Q2-Q4. The facility has now started to produce food grade recycled materials and performance is expected to rebound strongly during FY22.

In line with the closure of the leisure and hospitality sector for much of the year, commercial food waste volumes into our anaerobic digestion facilities were adversely impacted. We expect volumes to improve in line with the gradual reopening of this sector in the coming months.

The Group has a clear strategy to invest in green economy infrastructure and has continued its investment programme throughout the year in spite of the pandemic. We are on track to deliver all of our strategic projects in line with key milestones, including our plastics recycling facilities in the North East and energy from waste facilities in Cheshire and Leicestershire. This progress is the result of a fantastic effort from the Biffa team, who overcame many challenges to keep us on track and put the R&E division in a strong position for the future.

Recycling

Our recycling business comprises our leading Polymers plastics business and our MRFs.

Our HDPE operations at Redcar were largely unaffected by the price weaknesses and continued to perform strongly during the year, reflecting its resilient nature and de-risked contracting model.

As previously reported, short-term challenges with virgin plastic and PRN prices resulted in weaker results from the Seaham PET plant. However, there is strong demand for food grade pelleted material, with new partnerships secured with Nestlé Waters UK and Alpla, with two other major contracts close to being finalised. At the end of the financial year, we had sold the majority of our output from the Seaham facility on de-risked terms to long-standing partners, which gives us confidence that performance will rebound strongly in FY22.

The Poseidon Project, a UK Research and Innovation funded initiative in which Biffa is a partner alongside Poseidon Plastics, Dupont, Teijin Films, Alpek, GRN and O'Neills and which aims to create a process to chemically recycle harder grades of PET material, has been suspended.

The MRFs delivered year-on-year progress. The MRFs business is generating positive EBITDA excluding adjusting items and remains on track to deliver positive EBIT excluding adjusting items once all legacy contracts roll off over the next few years. In the year we kickstarted a project to use artificial intelligence (AI) in our MRFs, partnering with specialist external organisations to review the use of AI to improve efficiency.

Organics

There has been significant volume reduction in food waste due to the pandemic and its impact on the leisure and hospitality sectors. This has resulted in both volume and price erosion at the Poplars AD plant. The gas generation process at the AD plant was adversely affected which coincided with an increase in hand sanitiser found within our feedstocks.

Our composting operations have had a solid year. We achieved the compost quality standard, PAS:100 for our composting sites, which means that the compost has achieved product status and is suitable for sale as a product rather than as a waste product. Composting volumes have remained resilient and operations in the West Sussex and Leicester contracts performed steadily during the period.

Inerts

As previously reported, the Inerts business has been significantly impacted by Covid-19, with volumes into landfills initially down by c.50% compared to prior year levels during the first lockdown in Q1 FY21. There has subsequently been a steady recovery in Net Revenues throughout the year as the construction sector has reopened, resulting in an overall decrease of 15.1% in Net Revenue for the full year at £44.5m.

We opened our third rail hub in Barking in May 2021 which sits alongside our hubs in Manchester and Leeds. With the closure of our landfill site in the South East, the Barking hub will maintain some of this capacity within the Biffa portfolio. Rail hubs form an important part of our sustainability strategy by helping to reduce our reliance on road haulage and lower our CO₂ emissions.

We also carried out additional engineering works at our landfill sites this year, which has seen a significant improvement in our environmental performance and resulted in fewer complaints received from the public.

Landfill gas

Landfill Gas has remained a resilient part of the Biffa portfolio during the year, due to electricity price hedging in place. We experienced a 5.1% year on year volume decline, which is in line with expectations. The Renewables Obligations Certificates recycling benefit is however lower than the prior year by £3.5m due to lower demand for the ROCs.

Export power prices are 99% hedged through FY22 @ £46.30 per Mwh.

Strategy and outlook

The Resources & Energy division is well placed for a strong growth trajectory in the year ahead, with market leading businesses in growing sectors and the prospect of a post-pandemic recovery.

We will continue to focus on expanding our capacity for closed-loop plastics recycling, which is the highest-grade of recycling and therefore has the highest value. Our investments in plastics recycling infrastructure will ramp-up over the year ahead with the commissioning of the Seaham phase two PET facility, building of the new rHDPE facility in Washington and increasing capacity at our Aldridge facility to provide a further supply of feedstock into our Polymers business. We are also investigating opportunities for the recycling of flexible plastic and the potential to invest in partnerships internationally.

On 20 May 2021, Biffa reached agreement to acquire a post-consumer plastics recycling facility (PRF) from Green Circle Polymers Ltd (GCP) in Grangemouth, Scotland. The acquisition of GCP will strengthen Biffa's Polymers business with increased capacity to recycle more plastic within the UK. The timing of the GCP acquisition is favourable with Scotland's Deposit Return Scheme being introduced in July 2022. GCP is Scotland's only PRF and will be extremely well placed to process these materials.

Over the last 18 months, Biffa has reached financial close and started construction on two energy from waste facilities – Newhurst in Leicestershire and Protos in Cheshire. Both facilities are currently in build and on track with their construction milestones. The Newhurst EFW is due to commence operations in 2023 and Protos will follow in 2024.

As part of our innovation funnel, we are continuing to investigate the viability of solar energy generation on closed or restored landfill sites and are currently in planning consultation on a number of viable sites. Biffa's low-cost access to the grid and large land holdings make this a worthwhile investment opportunity.

As part of our agreement to acquire Viridor's Collections business and certain Recycling assets, upon completion of the deal the Group will acquire a portfolio of recycling and treatment facilities with revenues of £39m (FY20). These are underpinned by long term local authority supply contracts which contain appropriate risk-sharing mechanisms. The facilities include materials recycling, composting and anaerobic digestion – all of which are core capabilities for Biffa. 80% of Viridor's revenue in this area is from contracts with remaining terms of eight years or more.

Together these assets processed a total of 272,000 tonnes of material during FY20 and will increase Biffa's control of plastics feedstock into its closed-loop plastic recycling operations with c.22,000 tonnes of annual long-term supply, underpinning the Group's commitment to quadruple its plastics recycling capacity by 2030.

IMPACT OF COVID-19

In many ways this has been a defining year for Biffa. The sustained impact of the Covid-19 pandemic and continuing lockdown measures have made it a particularly challenging year; however, we were able to protect our people and continue to provide the essential services on which society depends, while taking decisive action to strengthen the finances of the Group and continue to invest for the future.

Our response to the Covid-19 pandemic focused on three key priorities:

1. Protecting the health, safety and wellbeing of our employees and the communities we serve.
2. Ensuring that our business operations continued with minimal disruption and that customers continued to receive the essential services that we provide.
3. Protecting the financial strength of the Group.

More information on our response to Covid-19 can be found on the following pages:

+ Chairman's Statement	pages 6 – 7
+ Stakeholder Engagement	pages 8 – 11
+ Chief Executive Officer's Review	pages 14 – 17
+ Principal Risks and Uncertainties	pages 72 – 78
+ Corporate Governance Report	pages 80 – 123
+ Remuneration Committee Report	pages 105 – 107



We received hundreds of 'thank you' messages throughout the year from customers and local residents, who were extremely grateful for the essential services our teams provided throughout the pandemic.



Business Aims

Protecting the health, safety and wellbeing of our employees and the communities we serve.

Link to stakeholder groups

- Employees
- Suppliers
- Government and Regulators
- Environment and Communities

Our Hi-Vis Heroes campaign was incredibly successful at shining a light on the important role our employees provide as key workers.



Our top priority at the outset of the pandemic was to protect the health, safety and wellbeing of our employees and the communities we serve.

Key actions included:

- **Covid-secure measures were put in place at all offices and operational facilities** including one-way systems, additional hand sanitiser stations and perspex screens between desks and in reception areas.
- **The business enabled and supported home working**, which ensured continuity of customer service, involving a significant effort with the issue of over 274 new laptops and supporting an increase in remote connections to the Biffa network of 1,200%.
- **We introduced Smarter Working+** which supports flexible working and improved work-life balance.
- **Financial support packages** were put in place for employees to encourage self-isolating or shielding.
- **Issued all employee share award of £300** as a token of our appreciation for their commitment and sacrifice.
- **Although we unfortunately needed to furlough up to 1,800 staff** at various periods and points in the year, we did not apply the CJRS cap and rotated colleagues on furlough where possible. By the end of March 2021, we had ceased receiving furlough support.
- **We increased two-way engagement with employees**, through communication channels including: regular all employee and leadership video calls with our Group Executive Team, communications through our employee app Biffa Beat (which reached over 70% uptake), CEO vlogs, podcasts, Q&A, virtual conferences and events including a virtual Diamond employee awards ceremony.



- **Our Hi-Vis Heroes campaign was incredibly successful** at shining a light on the important role our employees provide as key workers and represents a real step change in how the waste industry is perceived and valued by society.
- **We launched a new wellbeing initiative called the E.N.E.R.G.Y programme** (see case study on page 65) to support employee wellbeing, with a focus on mental health.
- **Our confidential Employee Assistance Programme**, which has a 24-hour helpline, received a record number of calls in the year supporting our people with a range of situations from mental health struggles to financial advice.
- **We held virtual learning and development sessions**, including 'managing in a virtual world', mental health awareness sessions for line managers and regular 'relaxation' sessions to support employees with their mental health.
- **Introduced 'long-Covid' rehabilitation programme** to support those who continue to suffer the effects of contracting the virus.
- **Our people in and around bins campaign** was featured in the Big Issue reporting that rough sleeping in bins had fallen for the first time in seven years due to the pandemic (see more on page 64).

A Year Like No Other (Covid-19) continued

Business Aims

Ensuring that our business operations continued with minimal disruption and that customers continued to receive the essential services that we provide.

Link to stakeholder groups

- Customers
- Suppliers
- Environment and Communities

Re-deployed I&C drivers to support Municipal business.

Despite the obstacles presented by the pandemic, we maintained service levels throughout for those who needed it, whilst protecting the health, safety and wellbeing of our people. Key actions included:

- **Rightsizing I&C operations by re-routing trucks**, taking c.39% of the frontline fleet off the road.
- **Providing uninterrupted customer service** call centre availability by swiftly switching to home working.
- **I&C teams were re-deployed to the Municipal business** to support with increased demand for household services.
- **Agreeing short-term changes to services** within our Municipal business to ensure that vital services were prioritised.
- **Working collaboratively with the wider industry** through the Environmental Services Association (ESA) and the Waste Industry Safety and Health Forum (WISH) to share best practice, including Covid-secure measures.
- **Ensuring our office and operational sites were Covid-secure**, by putting in place one-way systems, additional hand sanitiser and cleaning stations and perspex screens between desks and in reception areas.
- **Working constructively with our Unions** to agree safe practices for Collections crews.
- **Adapting our material recycling facilities** to the significant rise in cardboard recycling as a result of increased home shopping.



Service levels were maintained throughout and revenues recovered in the second half of the year.

Business Aims

Protecting the financial strength of the Group.

Link to stakeholder groups

- Customers
- Investors

£100m equity raise in June 2020 to help us pursue our strategic growth plans.

One of our key priorities from the outset of the pandemic was to protect the Group's financial strength. Actions taken include:

- **M&A activity** was put into abeyance.
- **All non-essential and uncommitted capital expenditure** were deferred until the equity raise.
- **All areas of the operating cost base reviewed** to ensure our operating model was fit for purpose.
- **Due to the impacts of Covid-19, no final dividend was paid** in respect of FY20 nor have any dividends been declared in respect of FY21.
- **£12.0m of Government support received for up to 1,800 staff furloughed** under the Government's Coronavirus Job Retention Scheme (CJRS) at various periods and points in the year. By the end of March 2021, we had ceased receiving furlough support.
- **The Board and Group Executive Team took a voluntary 20% reduction in salary** from 1 April – 30 September 2020.
- **Biffa's Leadership group**, representing a further 85 people, took a 10% reduction in salary for the same period.
- **All pay increases were suspended** for the most senior participants through FY21.
- **Bonus entitlements for Leadership group earned for FY20** were satisfied in shares and our annual bonus scheme for FY21 was cancelled.
- **Rightsizing I&C operations by re-routing trucks**, taking c.39% of the frontline fleet off the road.
- **Covenant amendments and additional liquidity headroom** agreed to cater for all modelled scenarios.



- **£100m equity raise in June 2020** to help us pursue our strategic growth plans.
- **Short-term assistance from HMRC payment deferrals**, all of which were settled by the end of March 2021.

RESOURCEFUL, RESPONSIBLE – BIFFA'S SUSTAINABILITY STRATEGY

FY21 HIGHLIGHTS

- CO₂ Emissions: 533,000t reduced by 29% from 2019 benchmark.
- Plastics Recycling Capacity: 120,000t capacity has doubled from 2019 benchmark.
- Employee Engagement: 59% increased by 1% from 2019 benchmark.
- Lost Time Injury Rate: 0.41 increased by 5% from 2019 benchmark.

Did you know?

- We recycle 500,000t of materials each year.
- Since 2019, Biffa has saved over 12,000t of CO₂ emissions by utilising rail networks to transport inert waste as an alternative to road haulage.
- We have reprocessed over three billion HDPE milk bottles over the last decade and around 85% of milk bottles in the UK contain Biffa material.
- We generate enough low carbon energy to power around 117,000 homes.

Reporting achievements:

Sustainable waste management is a key driver for improving environmental, health, social and financial outcomes. We play a vital role in helping the UK to address the climate change emergency and deliver sustainable economic growth. This is woven through our sustainable growth strategy and is demonstrated through our actions over the past two decades.

Our business has become more sustainable by:

- Improving the efficiency and emissions per tonne of waste in the Collections division.
- Broadening and enhancing our recycling and treatment capabilities.
- Reducing the scale of the landfill business.
- Utilising rail links to transport inert waste.
- Pioneering the transition to electric vehicles and alternative fuels.
- Caring for our people by tackling modern slavery and by promoting diversity and inclusion.
- Supporting our communities by funding biodiversity projects.
- Working with partners and customers to reduce waste.

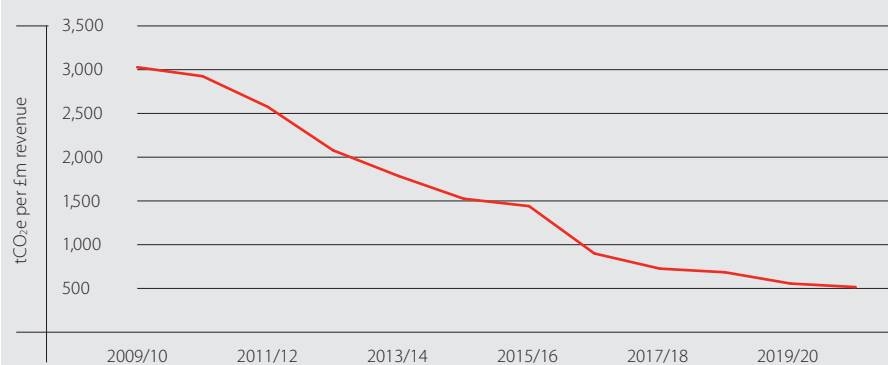
Our actions have enabled us to reduce the carbon intensity of our revenues by 85% over this period¹. We are breaking the link between the management of waste and carbon. But there is still more to do.

In March 2020, we published our sustainability strategy, 'Resourceful, Responsible', setting out our goals for 2030.²



Net Zero

Intensity metric: tCO₂e per £m revenue



1. How we measure carbon intensity.

2. The full strategy document is available on our website at www.biffa.co.uk/sustainability

The strategy is focused on three core pillars, each aligned to the United Nations Sustainable Development Goals (UN SDGs) where we believe we can make the most meaningful contributions:

Our sustainability strategy is based on three strategic pillars:



Strategic pillars	Strategic ambitions	Targets to 2030	Alignment to UN SDGs
1. Building a circular economy	Unlock £1.25bn of investment in green economy by 2030	<ul style="list-style-type: none"> Leading in surplus redistribution Quadrupling our plastics recycling Investing in low carbon energy from waste 	
2. Tackling climate change	Having reduced emissions by 70% since 2002, we will deliver a further 50% reduction in emissions by 2030	<ul style="list-style-type: none"> 50% reduction in carbon emissions Cease buying fossil-fuelled trucks Increase collection route efficiency by 20% 	
3. Caring for our people, supporting our communities	Be recognised as a top ranked employer and continue to be a good corporate citizen, supporting good causes to make a real difference	<ul style="list-style-type: none"> Support of national Hope for Justice campaign to end modern slavery 50% reduction in our LTI rate Manage 30% of estate for biodiversity 	

We've unlocked c.£1bn of the £1.25bn of investment in UK green economy infrastructure set out in our sustainability strategy. We've also committed to reducing our emissions by a further 50% by 2030 and to reach net zero emissions no later than 2050, in line with UK Government targets.

In support of this, Biffa has initiated climate change scenario modelling, analysis of supplier (Scope 3) emissions and committed to the Science Based Targets initiative.

You can see our path to net zero emissions on page 54.

Investment highlights include:

Reduce

Surplus redistribution – In February 2021, we further enhanced our circular economy capabilities by acquiring CSG for £85.9m.

Recycle

Plastics recycling – We have made great strides in our ambition to grow our closed loop plastic recycling business, completing three development projects and recently exchanging agreements to acquire a plastics recycling facility in Scotland and committing to another new facility in the year ahead – a total commitment of £65m. We have proven we can stop waste plastic from being burned, buried or exported. It can be used to make food-grade plastic raw material, making plastic packaging more sustainable, while creating jobs in the circular economy here in the UK.

Recover

Energy from waste – We reached financial close on two low carbon EfW plants, which are now in build. Our total investment in these two facilities will be around £75m, see case study on page 25.

Collect

Acquisitions – We are already the most efficient, low carbon commercial waste collections platform, with the widest geographic reach in the UK. In FY21, £189m has been expended on the acquisition of further I&C collections businesses.

Environmental Performance

We're committed to changing the way people think about waste and doing the right things to protect our planet, which includes minimising our carbon footprint whilst delivering the most environmental, social and financial value from the resources we collect.

Biffa has a team of environmental regulation and policy specialists, who engage with the UK Government, regulators and policy makers to help shape the national regulatory and policy framework in relation to environmental matters.





We also provide our expertise in our Reality Check papers, published in the press and on our website, which provide Biffa's expert opinion on important topics such as recycling, plastics and waste treatment.

+ To read these papers visit: www.biffa.co.uk/media-centre/publications

Biffa's Sustainability Report provides our annual sustainability performance data, including environmental performance and aligns to the most widely recognised sustainability reporting frameworks. Our first Sustainability Report was published in 2021, following the launch of our sustainability strategy, 'Resourceful, Responsible', in 2020.

- Sustainability Report: www.biffa.co.uk/sustainability/sustainability-report-2021.
- Sustainability Report performance data: www.biffa.co.uk/sustainability/sustainability-report-2021.
- TCFD: see page 56.
- Our route to Net Zero Emissions: see page 54.
- Global Reporting Initiative – download the content index: www.biffa.co.uk/sustainability/sustainability-report-2021.
- Sustainability Accounting Standards Board – download the content index: www.biffa.co.uk/sustainability/sustainability-report-2021.
- Sustainability strategy: www.biffa.co.uk/sustainability.

OUR PROGRESS AGAINST OUR SUSTAINABILITY STRATEGY TARGETS AND OBJECTIVES

Pillar	Topic	FY19 – Baseline	FY21	Risk level	Targets
Building a circular economy 	Leading on waste plastics recycling	63kt plastic recycling capacity	Our total plastics recycling capacity is 120,000 tonnes. We are in the process of building additional capacity at our Washington site which will be commissioned in FY22 and will add an additional 22,000 tonnes capacity. We are also doubling the amount of materials we can recycle at our plastic recycling facility at Aldridge to 80,000 tonnes per year. Increasing our plastics recycling capacity means more recycling can happen on our own shores and creates sustainable materials that can be used in manufacturing.		2025 Target Triple plastic recycling capability. 2030 Target Quadruple recycling capability.
	Investing in energy from waste	Financial completion of both low carbon EfWs	Construction is underway for both projects and the state-of-the-art facilities are expected to be completed during 2023 for Newhurst and 2024 for Protos.		2025 Target Completion of build and commissioning of two new low carbon EfWs. 2030 Target Both EfW plants optimised and complying with all environmental permits.
	Growing business waste recycling collections	0.5million tonnes business waste collected for recycling	The business waste collected for recycling was 0.3 tonnes. The I&C collections business suffered an immediate downturn in volumes due to the onset of lockdown as a result of Covid-19. As part of our response we replanned our collection routes and in some cases temporarily suspended our recycling collections. As we came to the end of FY21 recycling routes were fully mobilised and a communications campaign to business customers started to ensure appropriate use of recycling containers.		2025 Target Expand our low carbon collection business to collect 25% more business waste for recycling. 2030 Target Aim to collect 50% more business waste for recycling.





Risk level



On track to
meet target









Target not on track
as a result of Covid-19

Pillar	Topic	FY19 – Baseline	FY21	Risk level	Targets
Building a circular economy continued 	Diverting general waste from landfill	Around 70% of our inputs to landfill are now inactive* waste	During the year 60% of inputs to landfill were inactive waste. This is a result of Covid-19 affecting the type of waste streams inputted to landfill sites with many construction sites shutting down during the first national lockdown. As we have come out of lockdown we have seen an increase in activity in the construction sector which has led to a steady increase in the amount of inactive, unrecyclable waste received at our landfill sites.		2025 Target Inactive* waste increases to 80% of inputs to landfill. 2030 Target Inactive* waste increases to 90% of inputs to landfill.
	Recyclable commodities trading	Presently around 90% by weight of the waste plastics Biffa trades from our sorting and transfer facilities is sent to companies within the UK, with the remainder kept within Organisation for Economic Co-operation and Development countries	91.4% by weight of the plastics traded by Biffa was sent to companies within the UK with the remainder sent to reprocessors within the Intergovernmental Economic Organisation (OECD). Whilst our 2025 target is challenging we are committed to delivery.		2025 Target All waste plastics which Biffa trades from our sorting and transfer facilities to be recycled within the UK. 2030 Target All waste plastics which Biffa trades from our sorting and transfer facilities continue being recycled within UK with other commodities also recycled in UK subject to commercially viable UK end markets and infrastructure availability.
	Supporting customers on sustainable waste management	Sustainable waste management advice currently offered where requested. Additional special adviser on packaging in place for I&C. Current service offerings dependent on customer requirements	Over the year our Waste Strategy and Packaging Manager has provided packaging advice, site audits and recommendations, supply chain audits and procurement strategies to 17 I&C Corporate customers. Plans are in place to expand the team in FY22.		2025 Target Provide all waste service customers with sustainable waste management advisory services including waste reduction and re-use. 2030 Target Retain sustainable waste management advisory services to all waste service customers including waste reduction and re-use.

* Based on low-rate landfill tax definition.

Sustainability Performance continued

Pillar	Topic	FY19 – Baseline	FY21	Risk level	Targets
Tackling climate change 	Reducing our carbon footprint**	746,925 tonnes CO ₂ e	<p>Our emissions were 533kt CO₂e, in FY21. This 17% reduction on FY20 is due to a combination of continued capture efficiency improvements of landfill gas and a decrease in active waste to landfill but also reflecting reduced fuel usage during Covid-19.</p> <p>When compared to our 2019 baseline our emissions have reduced by 28.5% to date showing we are on track to meet our 2025 and 2030 targets.</p>		<p>2025 Target 30% reduction in carbon emissions. (Scope 1 and 2 emissions)</p> <p>2030 Target 50% reduction in carbon emissions. (Scope 1 and 2 emissions)</p>
	Greening the collection fleet	Beginning trialling electric collection vehicles in Manchester	<p>There have been positive steps taken towards greening the fleet, with the introduction of the UK's largest fleet of eRCVs in Manchester. We continue to work with our supply chain to explore opportunities for alternative fuelled vehicles and continue to expand our fleet of electric vans during FY22, as well as introducing eRCVs into both our I&C and Municipal businesses.</p> <p>In March 2021 we launched 'EcoDrive', a scheme that allows employees, including those who are not company car drivers, to lease fully electric or hybrid-electric cars under a salary sacrifice scheme. We have also introduced a new company car list for FY22 that includes hybrids. Our aim is to encourage employees to drive more environmental friendly cars, helping to reduce CO₂ emissions.</p>		<p>2025 Target Introduce 10% non-fossil-fuelled collection vehicles, subject to market availability and capability.</p> <p>2030 Target Cease buying fossil-fuelled RCVs by 2030 and have no fossil-fuelled vehicles by 2040.</p>
	Improving collection route efficiencies**	0.45 lifts per km*	During FY21 the collection route efficiency was 0.40 lifts per km. Covid-19 has required the re-routing of vehicles and the opportunity was taken to increase the number of container lifts per vehicle shift and increase the number of backshifts; however it was also impacted by suspension of recycling collections.		<p>2025 Target Increase collection route efficiency by 10%.</p> <p>2030 Target Increase collection route efficiency by 20%.</p>
	Transporting waste by rail	27% of our inputs to landfill by rail	During the year 21% of our inputs to landfill were by rail. This has been heavily impacted by Covid-19 and the shut down of the construction sector during early FY21; however, as we move into the recovery phase we anticipate the volumes of inert waste being moved by rail to increase. A new rail hub in Barking opened in May 2021 and this will enable 30% of inputs to landfill to be transported by rail.		<p>2025 Target 50% of our inputs to landfill by rail.</p> <p>2030 Target Dependent of availability of rail served landfill.</p>
	Renewable energy purchasing**	Investigating renewable purchasing options	60% of our electricity purchased during FY21 was renewable. During 2020 we moved our whole portfolio where we are responsible for the energy supplier onto a renewable tariff.		<p>2025 Target Buy 100% renewable electricity.</p> <p>2030 Target Maintain 100% renewable electricity.</p>

* The methodology for calculating lifts per km has been redefined due to an improvement in data availability and analysis. The baseline has been recalculated as 0.45 lifts per km using this methodology.

** Limited assurance is provided by Bureau Veritas. The Independent Assurance Statement is published in our Sustainability Report FY21.



Risk level







On track to meet target



Target not on track as a result of Covid-19

Pillar	Topic	FY19 – Baseline	FY21	Risk level	Targets
Tackling climate change continued 	Investing in solar power development on our landfill estate	Conducting feasibility assessment	We have engaged with specialist consultants and eight sites have been identified for pre-application planning discussions. Feasibility, designs and construction cost assessments for four sites have been received from consultants. Financial modelling for these is currently underway.		2025 Target Develop 50MW of renewable energy capacity through installation of solar farms on our landfill estate subject to feasibility assessments and approvals.
					2030 Target Develop 100MW of renewable energy capacity through installation of solar farms on our landfill estate subject to feasibility assessments and approvals.
Caring for our people, supporting our communities 	Tackling modern slavery	Slave-Free Alliance threat assessment completed and policies and processes in place	<p>In July 2020 we became a founding member of the Waste and Recycling Modern Slavery Working Group whose aim is to reduce the risk of modern day slavery (MDS) within the waste sector by working in partnership on challenges, best practice and raising awareness of MDS.</p> <p>In October 2020 we participated in the National Anti-Slavery campaign where we teamed up with Hope for Justice. To raise awareness of MDS in the communities we serve, we branded 10 trucks that operate in cities with our zero-tolerance to MDS message.</p> <p>Our MDS Toolbox Talk for our frontline colleagues was made more accessible with frontline operatives being able to access it via our employee app and rolled out as part of our October Anti-Slavery Campaign. MDS collateral was also developed for managers including a managers briefing, visuals for sites, updated spotting signs and raising concerns posters.</p> <p>We continue to strengthen our response to MDS by ensuring our M&A due diligence processes include initial checks for potential MDS issues, a MDS risk assessment is undertaken and our company standard e-learning material is rolled out following M&A completion. We have reviewed and updated our MDS standard operating procedure, carried out by our employee services team, incorporated a section on MDS into our Driver Certificate of Professional Competence training and updated our induction materials with more information on MDS.</p>		2025 Target Maintain zero tolerance on modern slavery and be an acknowledged market leader in anti-slavery practices within the UK waste sector.
					2030 Target Maintain zero tolerance on modern slavery and be an acknowledged market leader in anti-slavery practices within the UK waste sector.

Sustainability Performance continued

Pillar	Topic	FY19 – Baseline	FY21	Risk level	Targets
Caring for our people, supporting our communities continued 	Engaging our employees	Employee Engagement score 58%	The Employee Engagement score moved up 1 percentage point to 59%. This is 3% above the UK average and is Biffa's highest engagement score since surveying began in 2011. Action plans were completed for FY21 at both Group and local level, focusing on the identified priorities. These included an added emphasis on communications – particularly important as a key part of the Company's response to the Covid-19 pandemic, and a significant uptake in the use of the employee app. Further improvements were measured against our Diversity and Inclusion and Health & Safety indexes.		2025 Target To be a top quartile business for employee engagement. To be externally recognised as an exemplary employer.
	Supporting the living wage	72% of employees currently paid on or above Living Wage Foundation rates	77% of our employees are currently paid at or above the real Living Wage Foundation rates.* As part of our journey to be a Living Wage Foundation employer we have taken a number of steps to progress towards this goal. This includes forward steps with contract rebids where two major contracts have agreed to pay Living Wage from April 2021. As part of our pay negotiations for 2021 we have committed to introducing a Biffa minimum wage of £9.05ph (except for Apprentices). This will mean all our employees are paid above the National Living Wage (£8.91ph).		2025 Target Employees to be paid according to Living Wage Foundation rates, where possible*. All new local authority tenders to encourage and propose Living Wage.
	Maintaining high Health & Safety standards**	0.27 Lost Time Injury Rate in FY18	The LTI rate at year end FY21 was 0.41. There has been a rise in LTIs most notably caused by slips, trips and falls. Whilst this increase in LTI's is disappointing, meeting the challenges associated with providing a Covid-secure work environment has been our priority to ensure we keep our staff and customers Covid safe whilst continuing to deliver an essential service during the pandemic. In response to the rise in LTIs, the business has developed a suite of safety videos which target the common cause of our LTIs. Alongside this initiative, a bespoke Safer Together training course has been developed and is being rolled out across our Supervisor community.		2025 Target 25% reduction to Lost Time Injury Rate.
					2030 Target 50% reduction to Lost Time Injury Rate.

* 71.6% of employees across the total Group (including Company Shop Group and Simply Waste Services) are paid at or above the real Living Wage Foundation rate.

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Risk level



On track to meet target



Target not on track as a result of Covid-19

Pillar	Topic	FY19 – Baseline	FY21	Risk level	Targets
Caring for our people, supporting our communities continued 	Promoting diversity and inclusion**	Diversity Respect and Inclusion Strategy created and communicated. Diversity and Inclusion Training for senior leaders and managers delivered	We aspire to achieve greater gender and ethnic diversity, especially at senior levels, therefore we've established employee resource groups, such as Women in Waste, to understand the barriers women face in the workplace and to look at how we can better attract, support and develop women at Biffa. We're setting inclusion objectives to drive accountability and instil inclusive mindsets and plan to deliver D&I training to frontline employees during 2021. This was originally planned for 2020 but was delayed due to Covid-19. We have focused on inclusive leadership, understanding unconscious bias and micro behaviours and the impact they can have as well as learning more about the diverse nature of our workforce and celebrating this.		2025 Target Increase the diversity of the workforce including a higher percentage of women in senior management roles. 2030 Target Create an inclusive culture by promoting inclusive leadership behaviours with the ambition of creating a representative workforce.
	Training staff	Employees received 1 day of training on average in FY19*	As a result of Covid-19, there has been a focus on delivering training virtually and through e-learning. This has allowed us to increase the instances of training delivered to our employees. As a result, our training metric has been amended to the 'number of training interventions per employee'. During FY21 the number of training interventions per employee was 2.02. In FY21 training has been focused on health and wellbeing, particularly coping with the pandemic, managing people remotely and recognising and supporting mental health issues.		2025 Target Increase the number of training interventions per employee by 30%.* 2030 Target Double the number of training interventions per employee.*
	Investing in communities**	£4.9 million delivered to local community and UK partnership scheme projects through Biffa Award in FY19	Since 2019, £13.9m has been delivered to local community and UK partnership scheme projects through Biffa Award. During FY21 over £4.1m has been delivered across 63 projects. Projects supported during the year include community centre improvements and playground renovations, supporting the Winchester Science Centre and Planetarium, which aims to inspire science for all, as well as wildlife focused projects such as riverbank restoration and meadow protection.		2025 Target £15 million delivered to local community and UK partnership scheme projects through Biffa Award. 2030 Target £25 million delivered to local community and UK partnership scheme projects through Biffa Award.
	Supporting biodiversity	Review current biodiversity-based landfill restoration	Across our portfolio, 31% of our land is managed for biodiversity. Whilst this exceeds our 2030 target, we aim to continue to enhance biodiversity across our portfolio and will be exploring further options available to us in FY22.		2025 Target Manage 20% of estate for biodiversity. 2030 Target Manage 30% of estate for biodiversity.

* The targets have been altered to the number of training interventions per employee due to a change in focus to virtual training and e-learning as a result of Covid-19.

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Sustainability Performance continued

DOWN TO ZERO

Our path to 2030

Our 2030 targets are based on existing technology and realistic deployment. This deliverable strategy builds the foundations for the next phase of our long term ambition of reaching net zero emissions across our direct operations (Scope 1 and 2 emissions) by no later than 2050.



50% reduction in carbon emissions by 2030.



20% increase in collection route efficiency by 2030.



Cease buying fossil fuelled vehicles by 2030.



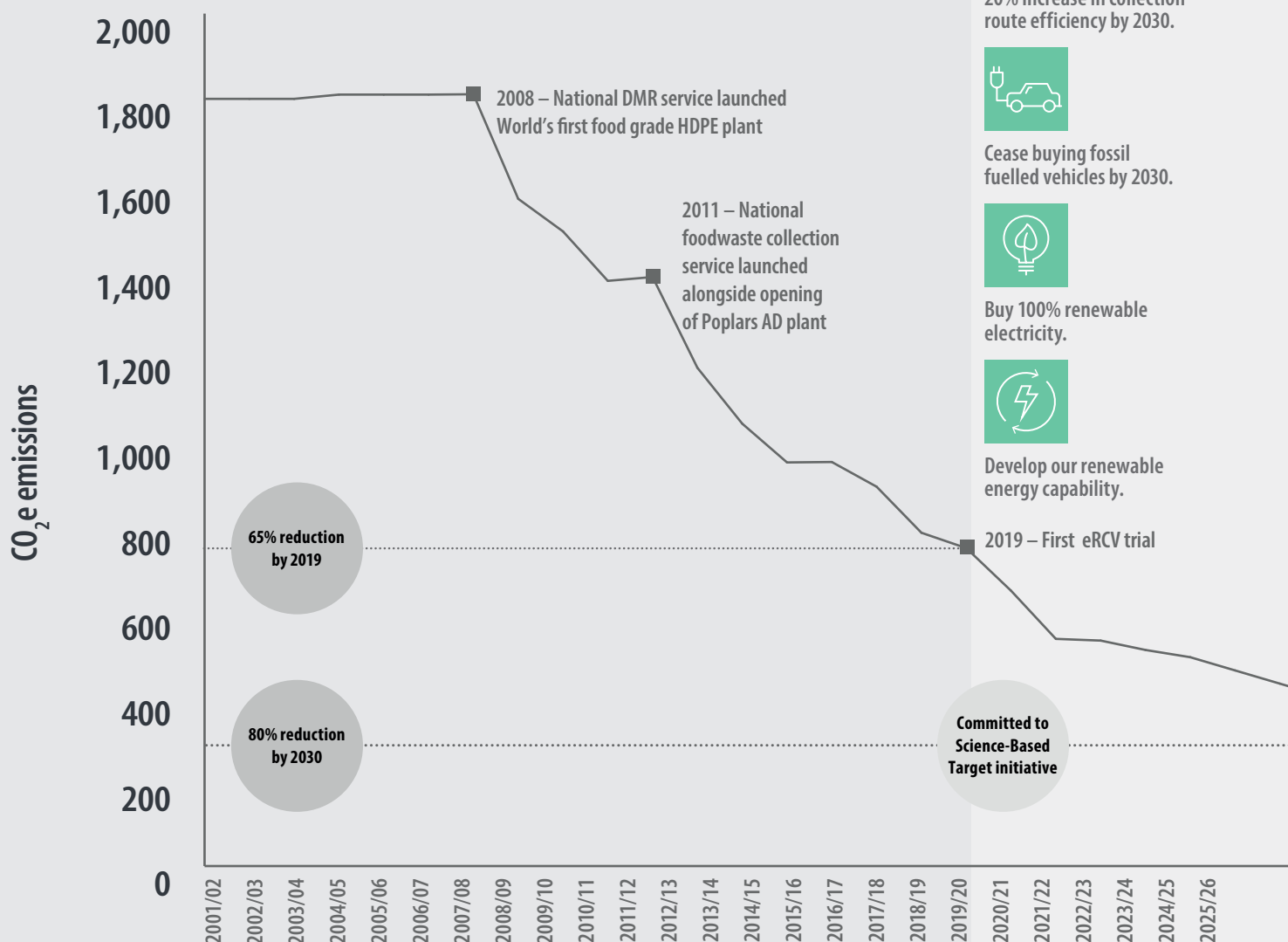
Buy 100% renewable electricity.



Develop our renewable energy capability.

2019 – First eRCV trial

Committed to
Science-Based
Target initiative



Scaling up to deliver net zero by no later than 2050

Emerging technology and process innovation will bring opportunities to further accelerate the reduction of our emissions and allow us to achieve net zero emissions by no later than 2050.

We have an ambitious plan, and we are getting on with delivering it.



No fossil fuelled vehicles by 2040.



Heavy plant (e.g. compactors, shovels, excavators) to reach net zero emissions by 2040.



All site fuels to be replaced by net zero emissions electricity by 2040.



Increase use of renewable energy on site.



Societal shift away from non-recyclable material.



Exploit carbon capture and storage to accelerate emissions reduction.



Pre-treatment of landfill material to further decrease active waste to landfill below 10%.



Deploy environmentally beneficial offsetting for residual emissions at 2050.

Net zero by no later than 2050

Release our new 10-year strategy to 2040

Release our new 10-year strategy to 2050

2026/27 2027/28 2028/29 2029/30 2030/31 2031/32 2032/33 2033/34 2034/35 2035/36 2036/37 2037/38 2038/39 2039/40 2040/41 2041/42 2042/43 2043/44 2044/45 2045/46 2046/47 2047/48 2048/49 2049/50

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

“The Financial Stability Board established the TCFD to develop recommendations for more effective climate-related disclosures that could promote more informed investment, credit, and insurance underwriting decisions and, in turn, enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector.”¹

The disclosures will become mandatory for Biffa in our FY22 Annual Report.

Aligning our reporting to the TCFD recommendations informs our investors and other key stakeholders of the climate-related issues that may impact Biffa. Using this format enables us to explain our process for responding to these challenges in a purposeful and comparable context.

Biffa's climate change response

Governance

How climate-related risks and opportunities are managed

The Board has overall accountability for the management of all risks and opportunities, including climate change. We have processes in place to ensure our employees and other stakeholders are aware of our focus in this area.

Strategy

Climate related risks and opportunities

Climate change is a global emergency and we recognise that the waste sector is a key player in enabling the UK's transition to a zero emissions future. As a leading business in our sector, we are well placed to support our customers with their own sustainability journeys which in turn support our own journey to net zero. We will also further accelerate the reduction of our emissions by anticipating and taking advantage of opportunities presented by emerging technology and process innovations.

Risk management

Biffa's process for assessing and managing climate-related risks

We continue to incorporate climate change issues into our robust risk management and planning processes. When assessing climate-related risks we consider both our existing business model and long-term strategy.

Metrics and targets

Metrics used to assess our efforts

Our aim is to cut our Scope 1 and Scope 2 emissions by a further 50% by 2030 and to reach net zero emissions across our direct operations (Scope 1 and 2 emissions) by no later than 2050, in line with UK Government targets.

Governance: How climate-related risks and opportunities are managed

The Board provides oversight of our strategic commitments, which dovetail with our sustainability strategy and ensures climate-related risk management and opportunities are integral to our business strategy including capital expenditure, acquisitions and performance objectives. This is demonstrated through our four areas of capital allocation (pages 20 – 27) and our recent acquisition of CSG which has a focus on allowing us to unlock circular economy innovation and expand our capability to support customers waste reduction and recycling targets.

During the past year, the Board, its Committees and the Group Executive Team oversaw senior management who are responsible for the day-to-day implementation, monitoring and management of our performance relating to the environment, including climate-related risks and opportunities.

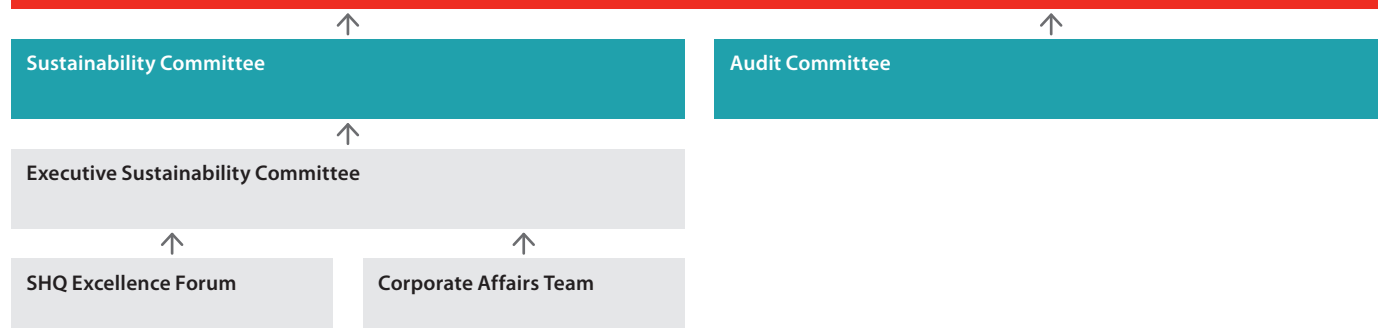
The Board Sustainability Committee which met for the first time in January 2021, oversees, on behalf of the Board, the Company's sustainability strategy and includes a core focus on tackling climate change. Below Board level, Executive Sustainability Committee also met for the first time in January 2021, and is responsible for overseeing the Company's sustainability strategy at a business level.

The Board Sustainability Committee and Executive Sustainability Committee plan to meet three times a year (page 98).

As part of the overall risk management process, we have a dedicated sustainability team, reporting into the Corporate Affairs Director, which updates the CEO, Group Executive Team and Sustainability Committees on issues relating to climate change on a quarterly basis, with a detailed update on progress against sustainability strategy targets on a six monthly basis.

1. About | Task Force on Climate-related Financial Disclosures (www.fsb-tcfd.org).

Biffa plc Board of Directors



In May 2021, we set up our sustainability dashboard to track performance against the targets set out in our sustainability strategy. The dashboard allows the Group Executive Team to monitor progress between quarterly updates and allows greater transparency and visibility of performance data amongst management teams.

Our Corporate Affairs team, which includes the sustainability team, works closely with management teams and employees across the business, to ensure that any new sustainability risks and opportunities are identified and reported to the Corporate Affairs Director and Group Executive Team. The Corporate Affairs Team drives awareness of our targets and commitments across the business and where relevant, sustainability targets are incorporated into our divisional Balanced Business Plans. The Corporate Affairs Team, along with other subject matter experts, participate in industry working groups and monitor best practice. The sustainability team also ensures that performance monitoring and reporting is completed and rigorously audited, through both internal audit and external verification to ensure that accurate information is communicated across the business.

In addition, our Audit Committee reviews financial and non-financial risks outlined in the Group Risk Register, which includes climate change.

Strategy: Climate-related risks and opportunities

Biffa's strong position as an enabler of the UK circular economy is helping to guide changes to Government policy towards progressive long-term benefits for the environment, the economy and the communities we serve.

The four areas of our sustainable business model reflect the outcomes and value creation delivered by our operational capabilities and our capital allocation:

- **Reduce:** redistribution of surplus produce.
- **Recycle:** food grade closed loop plastic recycling.
- **Recover:** energy recovery from waste which cannot be recycled.
- **Collect:** efficient and low carbon waste and recycling operation.

2020 was a challenging year for society and many businesses, but we have delivered a resilient performance and continued to grow. The Group is increasingly well placed for a strong post pandemic future with established leadership across waste reduction, surplus produce redistribution, recycling, collections and energy recovery. Significant growth opportunities lie ahead, and we will continue to invest to build a resilient, sustainable business.

As the UK's leading sustainable waste management company our business strategy is to make sure we contribute fully to enabling the UK circular economy while taking actions to address climate-related risks and identify opportunities to deliver improved environmental and social benefits. This guides the services we offer, our operations, our supply chain management and our investment in research and development.

To further align our funding strategy with our sustainability strategy and the climate-related risks and opportunities identified, we have established a Sustainability-Linked Finance Framework which will be published in early FY22.

Our sustainability strategy, Resourceful, Responsible, was published in March 2020 and identifies 20 clearly defined targets which mitigate against climate-related risks and capitalise on climate-related opportunities. The strategy, including climate-related risks and opportunities, will be reviewed annually and will take on board changes in regulations, societal demand, technology availability and the development of climate science. Where required the strategy will be adapted.

Our ambition is to reach net zero across our direct operations (Scope 1 and 2 emissions) by 2050 and this year we have released our net zero roadmap to 2050 (see pages 54 – 55). As part of this journey, we signed up to the Science Based Target initiative in March 2021 and our Scope 1 and 2 targets will be submitted for validation over the next 18 months. We will also be setting Scope 3 (value chain) emissions targets within the same timeframe. Our full emissions data is included in our Sustainability Report FY21, page 79.

Scenario analysis

Undertaking scenario analysis and stress testing is critical to ensure our long-term business strategy remains resilient to a range of potential future outcomes in 2030 and beyond. To determine the resiliency of our existing business model and sustainability strategy to 2030, we have evaluated it against two extreme scenarios:

- **The 'sustainable' scenario** – enables us to assess the risks and opportunities arising from a successful transition to a low carbon world, aligned with the Paris Agreement. To prevent the worst effects of climate change, the average global temperature increase must be limited to no more than 2°C above pre-industrial levels by the year 2100.
- **The 'business as usual' scenario** – enables us to assess the risks where the Paris Agreement is not met and we must face the acute risk of severe weather events and chronic impacts of temperature and precipitation changes. This scenario allows for global average temperatures rising to above 4°C by the end of the century.

Both scenarios considered were informed by the International Panel on Climate Change (IPCC) and the Representative Concentration Pathways. Data from the UK Met Office was used in the 'business as usual' scenario to allow us to consider the UK physical impacts of climate change, as these are most applicable to our business which is based solely in the UK.

Sustainability Performance continued



Climate scenarios:

	Sustainable scenario	Business as usual scenario
Global average temperature change by 2100	No more than 2°C.	4°C.
IPCC data set	IPCC RCP 2.6.	IPCC RCP 8.5.
Level of GHG mitigation	Strong mitigation through coordinated policy and regulation towards decarbonisation goals.	Current and proposed regulation only.
Physical climate change data set	Not assessed due to focus on transition risks and opportunities under this scenario.	UKCP18 Probabilistic models for climate change provided by UK Met Office based on IPCC RCP 8.5
Assumptions	<ul style="list-style-type: none"> ■ Consumption orientated towards low carbon products. ■ Rapid technology development. 	<ul style="list-style-type: none"> ■ Exploitation of fossil fuel resources at a similar level to today.

This assessment reviewed the climate-related risks and opportunities for our organisation with a focus on the UK waste industry. The assessment was completed through climate-related workshops across the business divisions and central functions. Our materiality assessment (see page 8) which covered our priority stakeholder groups, including external stakeholders, was used to ensure that no material risks or opportunities were overlooked.

We assessed the financial impacts of the climate-related risks and opportunities identified using the criteria in our risk management system. We considered both the inherent risk, before any mitigating actions, and the residual risk, after considering the mitigating actions and controls.

The risks and opportunities identified

The key transition risks to our business under the 'sustainable' scenario are due to policy and legislation changes, technology requirements and market and societal shifts. Our existing business model and sustainability strategy to 2030 addresses the risks identified. Whilst there are waste and resource specific elements to these risks, those that relate to transport and emissions impact all sectors that use transport and its associated emissions.

Our current business strategy and sustainability strategy to 2030 allow us to realise a significant number of opportunities that arise from a shift to a low carbon economy. These opportunities include changes in resource efficiency, societal shifts resulting in increased demand for recycling services and low carbon materials. These opportunities are enhanced by England's Resources and Waste Strategy, which supports the circular economy and green consumerism (see Sustainability Report FY21 page 42 for further information).

We have considered the physical risks we face under a 'business as usual' scenario and consider there to be low to medium residual risk to our workforce, operations and facilities should this scenario eventuate. We recognise that due to the amount of carbon already in the atmosphere, that some increase in extreme weather events and long-term changes in temperature and rainfall patterns will impact our business even if the 'sustainable' scenario occurs. It is anticipated that these impacts will be of a lesser magnitude compared to the 'business as usual' scenario and would have a low impact on our workforce, operations and facilities.

To ensure that we remain resilient to any extreme weather our business continuity planning covers business disruption from extreme weather events and is informed by both past and simulated events. Business critical operations that are at a higher risk can be assessed for adaptation if required.

Scenario analysis detail: Transition risk under a sustainable scenario (2°C)

Timeframe	Short	1 to 3 years	Financial impact of risks	Low	Managed as part of existing processes
	Medium	3 to 10 years		Medium	Additional mitigation or investment required
	Long	10+ years		High	Significant investment required and considered material risk to the business

		Financial impacts			Biffa's mitigating actions
		Description	Residual financial impact of risk	Timescale	
Policy and legal	Emissions legislation	Increased pricing of greenhouse gas emissions	Low	Short/Medium/Long	<p>We have committed to science-based carbon reductions of 50% by 2030 and have outlined our road map to net zero by no later than 2050. Our sustainability strategy, Resourceful, Responsible, outlines our actions to ensure this carbon reduction is achieved, including:</p> <ul style="list-style-type: none"> the introduction of a fully electric fleet by 2040 and the cessation of buying fossil-fuelled collection vehicles by 2030. increasing collection route efficiency by 20%. purchasing renewable electricity. <p>Our target on alternative-fuelled vehicles takes into account the life expectancy of our existing fleet and allows vehicles to be replaced with non fossil-fuelled alternatives when they have come to the end of their life expectancy. The collection route efficiency focuses on using our assets more efficiently and utilising existing routing software further.</p>
	Renewable energy legislation	Impact on revenue due to change in initiatives available	Low	Medium	The reduction in revenue from the renewable obligation schemes for landfill gas is known and has been built into our five year business plans. We are mitigating this through new strategic projects including our investment into two EfW facilities which will partially replace the existing landfill gas net income. We are exploring the use of biogas in areas other than power generation, which could have a higher financial and sustainability value to the Group than current operations. We are also exploring other sources of renewable energy, including solar and hydrogen that will allow us to utilise our large land holding and grid infrastructure.
	Waste legislation	Impact on revenue and operating costs due to change in service demand and materials.	Low	Short/Medium	We continue to engage productively and transparently with regulators and policy makers to ensure that we have foresight of legislation. This insight ensures that we can develop solutions to changing waste inputs, output type and quality demands. Short term impacts come from the EPR and DRS schemes with the impacts of these having been modelled on the current business model. This material still requires to be processed and recycled into new product. A shift in market trends to a greater demand for recycled material as a result of these legislation changes presents an opportunity for Biffa and aligns with our current business model and the targets outlined in our sustainability strategy.
	Planning legislation	Increase in capital costs to meet new requirements.	Low	Short	We continue to engage productively and transparently with regulators including planning authorities and incorporate flooding and climate change actions into project budgets.
Technology	Lower emission technology	Cost to transition to low carbon technology	Low	Short/Medium	<p>As part of our sustainability strategy we have targeted to introduce 10% non-fossil fuelled collection vehicles by 2025, subject to market availability and capability and will cease buying fossil-fuel collection vehicles by 2030.</p> <p>We procure renewable energy for our operations and therefore this cost to sourcing low-carbon energy is already budgeted and planned for.</p> <p>We collaborate with suppliers to seek technology advances enabling efficiency gains in the use of resources and operational processes. We have committed to the Science Based Target initiative (SBTi) and as part of this will be setting a Scope 3, value chain, emissions target. Our desire to reduce our value chain emissions will encourage our suppliers to also set ambitious carbon reduction targets.</p>
Market	Change in demand for services	Change in customer behaviour	Low	Short/Medium/Long	<p>We offer sustainable waste solutions and the shift in market trends reflects increasing customer awareness of sustainability issues which offers further opportunity for Biffa. We already offer a range of innovative solutions, including two of the most technically advanced plastic recycling facilities in the world, aggregate recycling, food waste recycling at our anaerobic digestion facilities and soil treatment. While we invest in innovative solutions we also continue to maintain our current assets so they can continue to be utilised and reach their life expectancy.</p> <p>As the leader in UK sustainable waste management, we continue to drive growth in our recycling services and to unlock circular economy innovation. Our recent acquisition of Company Shop Group, which aims to prevent waste by identifying surplus produce and then collecting, processing, and redistributing it for sale through its unique network of membership-based outlets, demonstrate our commitment to maintain our position in the market and the ability to match changes in demand for services.</p>

Sustainability Performance continued

Scenario analysis detail: Opportunities under a sustainable scenario (2°C)

Timeframe	Short	1 to 3 years	Financial impact of opportunities	Low	Uplift to current business performance
	Medium	3 to 10 years		Medium	Material market position or efficiency impact
	Long	10+ years		High	Transformational market growth or cost avoidance opportunity

		Financial impacts			Biffa's mitigating actions
		Description	Financial impact of opportunity	Timescale	
Resource efficiency	More efficient technology	Reduced exposure to carbon emission pricing and low emission zones. Reduced and avoided operating costs for facilities and collections fleet.	Medium	Short/ Medium	Our ambitious carbon reduction target and commitment to the SBTi requires a focus on energy efficiency at our locations and across our collections fleet. We have outlined several targets within our sustainability strategy, 'Resourceful, Responsible', that will allow us to achieve greater resource efficiency, such as our target to improve collection route efficiency 20% by 2030 and to introduce electric collection vehicles into our fleet. Our fleet transition takes into account the life expectancy of the existing fleet and our target to improve collection routes utilises efficiencies gained from M&A and routing software.
	Lower CO ₂ services	Increased revenue due to the continued development of reduced carbon services.	Low	Short/ Medium/ Long	Our sustainable ambitions will be delivered by optimising our processes and continuing to reduce the carbon footprint of the services and solutions that we provide. Our commitment to science-based carbon reductions of 50% by 2030 and outlining our road map to net zero by 2050 underlines our commitment to providing low carbon services.
Products/ services	Additional technology	Increased revenue from continued development of services through R&D and innovation.	High	Short/ Medium	We have an ambition to unlock £1.25bn of investment in green economy infrastructure by 2030, which includes investments in plastics recycling and EfW infrastructure.
	Change in demand for low carbon services and low carbon materials	Increased revenue through access to growing markets.	Medium	Short/ Medium/ Long	We continue to support our customers to move waste further up the waste hierarchy in support of a circular economy. Key investments in recycling and developing collaborative relationships are crucial to this and will ensure we are able to capitalise on the demand for low carbon materials. We are already delivering on this commitment and since 2019 we have doubled our plastics recycling capability. Our investment into EfW facilities and the recent acquisition of Company Shop Group bolsters our capabilities and the services we offer our customers, helping them to further reduce their own carbon emissions. Our commitment to improving collection route efficiency and a move to non fossil-fuelled vehicles, as detailed in our sustainability strategy, will allow further progress on delivering low carbon services as well as reducing our own emissions footprint.
	Change in season for service requirements	Increased revenue through access to shifting market demand.	Medium	Short/ Medium	Our strategy focuses on growing our market share and developing services and infrastructure either through organic growth or M&A. We continue to monitor the changing markets, including those which may be influenced by physical climate change.
Markets	Collaborative relationships	Increased market value and revenue due to reputational benefits.	Low	Short/ Medium	We have a strategic focus on developing services and infrastructure, and this helps to meet the sustainability ambitions of our customers. Within our sustainability strategy we outline our target to provide all waste service customers with sustainable waste management advisory services, including waste reduction and re-use options by 2030, showing our commitment to share our knowledge and experiences with customers in a collaborative way.
	Mergers and acquisitions	Reduced operating costs due to increased efficiency of operations and increase in revenue due to expanding capabilities and providing new solutions.	Medium	Short/ Medium	Our programme of M&A has already helped improve collection route efficiencies and route densities. Our recent acquisition of Company Shop Group has enabled us to expand our capabilities into managing surplus products in a sustainable way for our customers. Continuing to develop our capabilities through M&A will enable us to continue to gain operating efficiencies and new capabilities, helping us to achieve our ambitious sustainability targets.
Resilience					

Scenario analysis detail: Physical risk under a business as usual scenario (4°C)

Timeframe	Short	1 to 3 years	Financial impact of risks	Low	Managed as part of existing processes
	Medium	3 to 10 years		Medium	Additional mitigation or investment required
	Long	10+ years		High	Significant investment required and considered material risk to the business

		Financial impacts			Biffa's mitigating actions
		Description	Residual financial impact of risk	Timescale	
Acute physical impacts (increase in severity of extreme weather) and chronic physical impacts (long-term climate shifts)	Impact on workforce	Increased indirect costs due to impacts on health and wellbeing. Increase in operational costs for heating and cooling due to shifting temperatures.	Low	Short/ Medium/ Long	A high emissions scenario could result in the requirement of additional personal protective equipment and a change in work patterns during periods of extreme weather to reduce any impact on employee health and wellbeing. Increased training to ensure that employees are trained for appropriate conditions would also be implemented. Whilst the frequency and extent of extreme weather is hard to predict, we continue to monitor changing weather patterns on a short-term basis and take action to mitigate any negative effects. We continue to reduce our energy consumption at our locations and purchase renewable electricity, providing a greater resiliency for the future should energy demand increase through the need for increased heating and cooling at our locations.
	Impact on environmental compliance	Increased capital to costs for resiliency measures.	Low	Medium/ Long	More frequent and extreme weather events and long-term climatic shifts have the potential to alter the management requirements to continue to meet environmental compliance. Extreme weather events and long-term climate change are considered through our risk management portal and aftercare funds are already built into financial planning.
	Operational disruption	Reduced revenue from business disruption.	Low	Medium/ Long	A high emissions scenario is expected to increase the frequency and severity of extreme weather events. Our business continuity planning covers business disruption, including from extreme weather events and is informed by both past and simulated events. Business critical operations that are at a higher risk of severe weather events are assessed for adaptation if required.
	Damage to property/site infrastructure	Increased costs due to physical damage. Increased insurance premiums and reduced insurance availability for 'high risk' areas.	Medium	Medium/ Long	Understanding the exposure of our locations to the risk from extreme weather events, including flooding, allows us to identify business critical locations which can then be assessed for adaption investment. New facilities have climate change and flooding incorporated into their planning phases.

Sustainability Performance continued

Risk management: Biffa's process for assessing and managing climate-related risks

At Biffa we review climate-related risks using our well-established risk management framework.

Risk governance

The Board recognises its responsibility to ensure that the Group's internal control systems and risk management framework are effective. The Audit Committee has specific delegated authority to review the effectiveness of the risk management and internal control processes during the year.

Day-to-day risk management and control is the responsibility of the Group Executive Team and is designed to ensure that management provides leadership and direction to employees so that our overall risk-taking activity is kept within our risk appetite.

Biffa operates the 'Three Lines of Defence' model (page 72) to manage the ongoing effectiveness of risk and control, to define the relationship between the various management and oversight functions, and to demonstrate how responsibilities are allocated. The Internal Audit function assesses our risks and controls independently and objectively.

Risk appetite

The Board sets our overarching risk culture and appetite and ensures that we manage risk appropriately across the Group. Health & Safety, legal, regulatory and environmental risks (including climate-related risks) are our top priority. Biffa dedicates significant resources and focus to managing and monitoring these risks, with other key risks considered and reviewed alongside. In each case, controls and mitigating actions aligned to the risk appetite are put in place.

Risk assessment

A risk assessment matrix is used to ensure that risks are assessed consistently. This matrix considers the likelihood of the risk materialising and its potential impact. We assess both the inherent risk, before any mitigating actions, and the residual risk, after considering mitigating actions and controls. We also identify any additional activities that could be undertaken to further mitigate the risk.

Emerging risks

In addition to known risks, we identify and analyse emerging risks and the need for mitigation as part of our existing risk management processes. These risks are reviewed by both the Group Executive Team and the Audit Committee, and include risks relating to climate change, such as flood risk arising from high rainfall, and pandemic and infectious diseases.

Risk management processes

The Group's risk management processes are centrally coordinated, utilising a risk management tool and consider the existing business model and future strategy. Within this tool, climate-related risks each have a separate section, but these risks are also included within the operational risk profile for each area of the business where relevant. An established network of 'Risk Champions' is in place to facilitate updates to risks during the year. The Risk Champions are members of the senior management team and

take a lead role in engaging local management to identify, agree and update risk information on a regular basis.

The Group Executive Team receives regular reports on the principal and emerging risks and ownership of each of these risks is assigned to individual members of the Team.

The Audit Committee undertakes regular reviews of the principal and emerging risks, as identified and assessed by management through the above process. The Audit Committee also reviews summaries of the work undertaken by the Internal Audit function, which operates a risk-based annual plan of assurance reviews.

Our risk management systems are intended to mitigate and reduce risk to the lowest extent possible; however, we cannot eliminate all risks to the Group. The risk management processes can only provide reasonable and not absolute assurance against material misstatement or loss.

Metrics and targets: Metrics used to assess our efforts

We have developed a series of climate change indicators that are relevant to our business and allow us to assess the effectiveness of how we are integrating climate-related risks and opportunities into our business across multiple time horizons. Our chosen targets include an emissions reduction target to reduce our Scope 1 and 2 emissions 50% by 2030 from a 2019 baseline

with numerous underlying metrics supporting this goal, including investing in non-fossil fuelled vehicles and an increase in collection route efficiency. We have further risk adaption targets which include increasing our plastics recycling capability, investing in energy from waste facilities and increasing the volume of business waste collected for recycling as part of our overarching ambition to unlock £1.25bn of investment in green economy infrastructure by 2030.

These targets are detailed within our sustainability strategy, Resourceful, Responsible, with performance against these indicators shown on pages 48 – 53.

Reducing carbon emissions is a material area for our business, as is our ability to offer low carbon services to our customers. Our emissions reduction target is built into the Group Balanced Business Plan (BBP). This influences our divisional BBPs which in turn determines senior leaders remuneration policy. Where relevant, other targets outlined in our sustainability strategy are incorporated into our divisional BBPs.

Our Scope 1, 2 and 3 emissions are calculated following the GHG Protocol. Bureau Veritas has provided limited assurance of our Scope 1 and 2 emissions. The assurance statement is published in our Sustainability Report FY21 available at www.biffa.co.uk/sustainability/sustainability-report-2021.

All progress against our targets has been through an internal audit process prior to disclosure.



UK GHG Emissions and Energy Use Data for period 1 April 2020 to 31 March 2021

Emissions within the UK

	Current reporting year 2020/21	Comparison reporting year 2019/20
Emissions from activities which the Company own or control including combustion of fuel and operation of facilities (Scope 1)/tCO ₂ e (kt).	506	618
Emissions from purchase of electricity, heat, steam and cooling purchased for own use (Scope 2, location-based approach)/tCO ₂ e (kt).	27	29
Total gross Scope 1 & 2 emissions/tCO ₂ e (kt).	533	647
Intensity ratio: tCO ₂ e (gross Scope 1 & 2 emissions per employee).	65.2	80.3

Comments on the data:

1. Scope 1 emissions for 2019/20 have been restated due to an error in calculation. Following this, additional procedures have been put in place including external verification.
2. Biffa collects and reports environmental data in accordance with the guidelines of the Greenhouse Gas Protocol. The CO₂e emissions were calculated using the DEFRA 2020 emission factors.
3. Unqualified audit opinion and limited assurance provided by Bureau Veritas for Scope 1 and 2 emissions.
4. The data reported is emissions within the UK only. No direct operations are carried out offshore.

Overall, we reduced carbon emissions by 17% in the year due to a combination of continued capture efficiency improvements of landfill gas and a decrease in active waste to landfill, but also reflecting reduced fuel usage during Covid-19. Whilst collection vehicle fuel use can be expected to rebound post Covid-19 as businesses reopen, we will continue to explore collection efficiency opportunities as well as our non-fossil-fuel vehicle roll-out. We are still well on course to achieve our longer term carbon emissions reduction targets at 2025 and 2030.

Energy consumption within the UK

Climate change/GHG emissions table (Total kWh):	Current reporting year 2020/21	Comparison reporting year 2019/20
Methane emissions (utilised)	422,215	434,148
Diesel fuel used	342,316,629	449,367,933
Red diesel used	71,590,025	80,800,198
Unleaded petrol used	196,097	846,055
Kerosene used	87,542	106,848
LPG	12,162	8,164
Natural gas	9,229,118	7,700,877
Purchased electricity	81,480,688	76,585,813
Self-supplied electricity	34,155,151	37,460,319
Total kWh	539,489,626	653,310,355

Comments on the data:

1. To calculate the above consumption figures, we used methodology based on the Streamlined Energy Carbon Reporting (SECR) compliance scheme.
2. The data reported is energy used within the UK only. No energy is used offshore.
3. SECR data is audited by Carbon Decoded.
4. ESOS phase 3 audit due by December 2023.
5. All Biffa's operations are UK-based.

Energy generation within the UK

	2021	2020
Generation (GWh)	396	423
Carbon benefit (kt CO ₂ e)	92	108

Sustainability Performance continued

Caring for our people, supporting our communities

Keeping our people safe and well is our absolute priority. Throughout the Covid-19 pandemic this has been more important than ever and we've implemented a number of initiatives, programmes, guidance and standards to protect our employees, contractors, customers and members of the public. The Board has overall responsibility for Health & Safety, including setting policy and reviewing performance.

Evolving our H&S policy

Our H&S policy outlines our approach to health, safety and wellbeing across the Group. Last year we reviewed and consolidated our management standards into 20 Group standards which cover key areas of H&S, such as waste handling, processing and traffic management. These apply to all of Biffa's operations. Despite the management of the Covid-19 pandemic ultimately taking priority this year, these standards were successfully embedded and training was provided to employees, including contractors, to ensure compliance. In the year we also successfully transitioned to ISO 45001, the international standard for health and safety at work, first introduced in March 2018 to replace the previous standard BS OHSAS 18001¹.

Performance

Our top priority this year has been to keep our people safe and well in the face of the Covid-19 pandemic. We responded swiftly to the Government's Covid-secure guidelines, ensuring that our frontline teams could continue to deliver our essential services as safely as possible, whilst ensuring that our employees working at our offices or at home were setup to do so safely and supported to adjust to this new way of working.

A key highlight during this difficult year was our Resources & Energy division achieving 5 stars (the highest standard) in an Occupational Health & Safety Audit conducted by the British Safety Council, which commended our strong focus on ensuring safe, compliant and efficient operations.

Despite our strong focus on safety this year, we did unfortunately see an increase in the number of Lost Time Injuries. This was due to a rise in slips, trips and falls across our operations, particularly within our Municipal business, which was managing greatly increased domestic waste due to the 'stay at home' messaging and unusually high sickness absence as a result of the pandemic. Additionally, our focus on ensuring our sites remained Covid-secure has meant we were unable to continue the momentum achieved last year in further face-to-face training for our frontline colleagues and our supervisory staff on incident prevention. Our priority over the year ahead will be to continue to reinforce safe systems of work.

Lost Time Injury and RIDDOR rates

	LTI Rate	RIDDOR Rate
2020/21	0.41	0.26
2019/20	0.23	0.20
2018/19	0.39	0.32

Our long-term commitment is to create a zero harm environment, with no injuries or work-related ill health across our team. We have been making steady progress in our safety performance over the last few years, despite the increase in LTIs this year. Our aim is to achieve a further 50% reduction in our LTI rate by 2030.

To support us on this journey, we continued the following initiatives in the year:

Safer Together

Our 'Safer Together' programme, which launched in February 2020, is centred on collective responsibility by working together to ensure the safety of our people and those we work with, including contractors, customers and members of the public.

We've continued to progress Safer Together, by linking it to our Covid-secure guidance to ensure it remained at the forefront of our employees' minds. We also provided online training to our supervisors within our Municipal business on all aspects of Safer Together, including leadership, communications skills and how to promote our Safer Together Pact (see visual below). We will complete training supervisors from the rest of the business in FY22.



Driving Recklessly on Pavements (DRoPs)

Our Collections crews continue to face the threat of reckless and aggressive drivers who do not have the courtesy or patience to allow them to perform their duties safely. Biffa is committed to raising awareness of the social unacceptability of DRoPs to help protect the safety of our crews and the public and in FY22 we are planning to create a new campaign to raise awareness of this important topic.



People in and around bins

People taking shelter or sleeping in and around waste containers is a serious nationwide issue that Biffa wants to raise awareness of, both with our customers and with members of the public. We can all play our part in making sure others stay safe, which is why we started our people in and around bins initiative.

Biffa has recorded over 740 incidents relating to people being found in and around bins in the last seven years. A report completed by The Open University and sponsored by Biffa, alongside the Chartered Institute of Waste Management, St Mungo's and StreetLink, has shown a 14% rise in reported incidents of people sleeping in and around bins between 2014 and 2019. This is coupled with a 70% increase in the number of people reported to be sleeping rough in the same timeframe.

In the last year, however, we saw a notable decrease in encounters of people in or around bins, with approximately 35 recorded in FY21 compared to over 100 in FY20. A key reason being that most of the major cities have provided hotel accommodation for rough sleepers during the Covid-19 pandemic to prevent the spread of the virus.

Despite the recent decline in reports, we remain committed to continuing to raise awareness of this important issue.

Key stats

- 35% of waste companies now find people sleeping in bins at least once a year.
- This is a year-round issue. 70% of encounters are between January and June.
- It's not just the homeless. At least 11% of people found are revellers.

1. Source ISO 45001 Health and safety management standard (hse.gov.uk).



Giving employees more E.N.E.R.G.Y.

For many Biffa colleagues the pandemic presented numerous challenges, but as it stretched into the winter months, it became increasingly important that we encouraged colleagues to take a real focus on looking after their health, safety and wellbeing.

That's why we introduced the Biffa E.N.E.R.G.Y. Programme which consists of:

EMOTIONS NUTRITION EXERCISE REST GOALS YOU

It includes core 'Feel-good Foundations', such as being active, connecting, learning, taking notice, giving and caring as well as raising awareness of the importance of good wellbeing practices both in and out of work. It also focuses on mental health issues, including loneliness, relationships, sleep, relaxation and stress to help our employees through tough times.

Since the beginning of the pandemic, c.1,400 employees have joined our online sessions focused on health and wellbeing.

Our E.N.E.R.G.Y. Programme will run throughout FY22 so that we can help our employees establish behaviours and practices that can make a long and lasting difference.

Our essential services are delivered by a team of more than 9,000 colleagues across Biffa. We work hard to create a culture and an environment that allows everyone to thrive, working together effectively and safely to contribute to the growth of the organisation. Our People Strategy guides our priorities with a focus on: attraction, leadership, engagement, development and performance. Our policies underpin this to ensure that our positions on key topics are clearly defined and communicated to our employees and that we take consistent and appropriate action.

Our top priority this year has been to ensure that our employees remain safe and well, whilst continuing to provide the essential services on which society depends. Difficult economic conditions brought about by the Covid-19 pandemic have meant we had to make some tough decisions and sacrifices during the year, including furloughing a proportion of our employees, temporary pay reductions for our Board, Executive and Leadership teams, the suspension of our bonus schemes, as well as a pay freeze for all of our colleagues.

We were determined to support employees throughout the pandemic and put in place financial support packages for all those that required to take time off as a result of Covid-19, including those that contracted the virus and needed to self-isolate or shield. We also encouraged all vulnerable colleagues to remain at home with appropriate financial support in place. Although we unfortunately needed to furlough colleagues in our I&C business and a number of staff roles, we did not apply the CJRS cap and rotated colleagues on furlough as much as possible. As a thank you to all of our colleagues for the sacrifices they made and the support they continue to provide the Company, we issued a free share award of £300 to all eligible colleagues in November 2020.

Our other priorities in the year have been to continue to promote diversity and inclusion, with the launch of the Women in Waste Group being one of the key highlights (see page 67) and continuing to tackle modern slavery within our industry (see page 67). We have also introduced a Biffa minimum wage which takes us a step towards our longer term goal of paying real Living Wage to all employees by 2025 (see page 68) and launched EcoDrive, a salary-sacrifice scheme enabling eligible employees to buy electric cars, all to ensure Biffa remains an employer of choice.

We've achieved a lot this year, despite the challenges we faced. None of this would have been possible without the dedication and hard graft of our people who are the backbone of Biffa.

Our purpose and values

The pandemic has shone a light on the important role our workforce provides in delivering essential services to thousands of households and businesses every day. The thanks and recognition shown this year to our essential workers has been phenomenal and represents a real step change in how waste services are perceived and valued by society. We believe that despite the difficulties this year, we are one step closer to achieving our purpose: to change the way people think about waste.

Our values (Be safe, Be innovative, Be customer focused, Be a team player and Be accountable) help guide our people in their daily activities and support our behavioural framework. They show that how we do things is just as important as what we do and describe the behaviours we encourage all employees to adopt to best serve the interests of our broader Biffa team and business, customers, investors and other key stakeholders. We are reviewing our current values with a view to co-creating a new set of values for Biffa, to reflect the development of our business and to align to our culture.

In the year, we launched a new employee forum, the Biffa Involvement Group (BIG), as a way to encourage two-way direct and positive communications with our colleagues, particularly those in operational roles. Our 'BIG Crew' have been contributing to the new values to ensure that the messaging will land and resonate with our employees, prior to them being embedded across the business in FY22. You can read more about BIG in our Sustainability Report: www.biffa.co.uk/sustainability/sustainability-report-2021.

Health and wellbeing

The health, safety and wellbeing of our employees has been our key priority this year. We quickly adapted to the new ways of working brought about by the pandemic and put in place new policies and programmes to support our people. This included the launch of our new E.N.E.R.G.Y. initiative (see case study) to support employee wellbeing, including a real focus on mental health. We recognised the impact of the pandemic on our people and were keen to support them in managing this, whether they were working in an operational role, adjusting to working from home, or spending a period of time on furlough. We also introduced our Smarter Working+ programme which supports flexible working and work-life balance. Our confidential Employee Assistance Programme, which has a 24-hour helpline, received a record number of calls in the year supporting our people with a range of situations from mental health struggles to financial advice. You can read more about Smarter Working+ in our Sustainability Report www.biffa.co.uk/sustainability/sustainability-report-2021.

We believe that these new programmes represent the Biffa of the future as we enter a new post-pandemic digital era.

Sustainability Performance continued

Caring for our people, supporting our communities continued

Board engagement activities

David Martin, our Senior Independent Director, has Board responsibility for workforce engagement and attended several employee-related activities over the course of the year. Due to the pandemic, all events have been held virtually and as such have not offered the same opportunity to more personally interact with individuals and groups.

David attended our Senior Leader Strategy event, our Manager Conference, BIG, Diamond Awards Ceremony and the Group Executive Team meeting to consider the annual employee engagement survey results. David reported back to the Board on the feedback he received from these meetings in April 2020 and January 2021.

Further details on the feedback provided to the Board are set out below.

Engaging our employees

Employee engagement is critical to us at Biffa, arguably more so during the past year when doing the right thing for our people has been more important than ever. Our goal is to ensure that Biffa is an employer of choice for current and future talent and a company that we are all proud to be a part of.

Throughout the pandemic we have significantly increased two-way engagement with our employees, ensuring that they were kept informed of our latest Covid-secure protocols, the support we were offering, as well as how our business was performing. Our channels include regular all employee and leadership video calls with our Executive Team, CEO vlogs, podcasts, Q&A opportunities in real time, virtual conferences and events including our first virtual Diamond employee awards ceremony and importantly news updates via our intranet and employee app, Biffa Beat.

Biffa Beat really came into its own this year, providing an easy way for employees, particularly our colleagues on the front line, to openly ask questions and voice their opinions at the touch of a button.

Engagement via the Biffa Beat app has been at its highest ever with over 70% uptake across the business.

Board feedback

David Martin, our Non-Executive Director for Workforce Engagement, has provided feedback to the Board on engagement activities and provided a full report at the January 2021 meeting.

"Once again, at all meetings I attended I noted a high level of positive interaction and energy which given the stresses and strains the last year has had on everyone, was all the more commendable.



Making Biffa Buzz

Over the summer of 2020, there was a cross-business review of our employee engagement, including a reflection on our current practices and the consideration of new approaches that might help improve employee engagement.

The outcome of this review focused not only on making our employee survey more accessible by following a digital approach, but also on how we strengthen our engagement brand to create an identity that is easily distinctive to employees.

This result was Biffa Buzz – a unique identity which doesn't just represent a new image for Biffa, but a change in our approach to our annual engagement survey.

Biffa Buzz:

- Is 100% online.
- Focuses on the issues that employees raised as being most important to them.
- Provides managers with more actionable insights.

We were delighted to get a 76% response rate to the survey and our engagement score increased in 2021 to 59%, which is 3% above the UK average. Encouragingly we now have 33% of teams already in the top quartile for employee engagement.

Our ambition is to be in the top quartile of all companies in the UK, which we are now only 8 percentage points away from achieving.

Learning and development

We continue to invest in the personal development of our colleagues and this year we had to adapt to find alternative ways of offering our programmes online, via our e-learning platform 'Know How' as well as virtual training sessions.

I found listening to individual accounts of activities undertaken during the Covid-19 pandemic quite inspiring and the 'can-do' attitude across the range of our operations shone through brightly. The enhanced recognition of frontline key workers by both the Company and the communities that we serve was thoroughly deserved and very pleasing to observe.

Of particular note, in the last 12 months there has been superb work by the Biffa team on D&I,

The focus of our training this year was employee wellbeing, whilst also supporting line managers to 'manage in a virtual world' offering a suite of training and support across the business. We continue to provide regular live 'relaxation' sessions to support employees with their mental health and training for line managers to help spot the signs of anxiety, so they are better equipped to support their teams. Online training was also provided to our drivers and we continued to broaden our comprehensive portfolio of e-learning modules, allowing all our employees access to relevant and timely learning content.

We also continued our Advanced Leadership Programme to help accelerate the development of some of our brightest talent across the organisation and our apprenticeship programmes, which range from engineering apprenticeships through to masters in business administration. In the year we offered 35 placement opportunities to young people seeking employment in areas such as HR, Finance and Business Operations as part of the Government's Kickstart scheme¹.

The pandemic has influenced how we will continue to provide training and development in the future. With less time required for online training as opposed to face-to-face, we plan to increase the number of training interventions per employee. We will continue to develop and broaden our online training content going forward.

1. The Kickstart Scheme provides funding to create new jobs for 16 to 24 year olds on Universal Credit who are at risk of long term unemployment: www.gov.uk/government/collections/kickstart-scheme

Anti-fraud, bribery and corruption

Our anti-fraud, bribery and corruption policy and procedure sets out the standards that are expected of employees and the systems and procedures which Biffa employs to minimise the opportunity for fraudulent or corrupt behaviour and how it will deal with any instances of such behaviour. It applies to all our employees and appropriate parts of the policy are also applied to representatives, joint venture partners and outsourcing partners. It includes guidance to employees on the giving, receiving and recording of business gifts and hospitality. There is an e-learning module on this topic for all Biffa leaders and managers to ensure they understand and adhere to this. Any breaches of policy are investigated by the Head of Risk and Internal Audit and are reported to the Audit Committee (see details on whistleblowing on page 68).

and growing awareness and prevention of modern slavery, both issues which are of particular concern to the UK waste management sector and I believe to have been executed in a very effective manner".

David Martin

Non-Executive Director for Workforce Engagement

Details of how the Board has considered employee interests during the year in its decision making are set out on page 9.

During the year we completed a bribery risk assessment. The results of this will be used to frame any changes to our anti-bribery policy and procedures in FY22.

Building a diverse and inclusive Biffa

Biffa is committed to being an inclusive employer, ensuring fair and equal opportunities for all employees. The waste management sector is traditionally a male-dominated industry, with the vast majority of operational teams being male. Across the Group, the workforce comprises 18.2% female and 81.8% male employees. We've taken great steps this year to improve the gender balance, with our second female Board member, Claire Miles, appointed in April 2021 and more female appointments in senior roles, including our Group Executive Team with Cory Reynolds, Corporate Affairs Director, and Sarah Parsons, General Counsel and Company Secretary appointed in the year. We also launched our Women in Waste group in September 2020, to understand the barriers women face in the workplace and to look at how we can better attract, support and develop women at Biffa.



Empowering women in waste

The Women in Waste (WiW) group has over 100 members, who meet each quarter to discuss important topics such as the perceptions of women working in the waste industry, the barriers to inclusion for women at Biffa and what improvements need to be made to enable women to succeed at Biffa in the future.

The improvements discussed to date include building confidence, talent management, mentoring, upgrades to facilities and Personal Protection Equipment (PPE), development and flexibility.

In 2021, these changes were put into action:

- 15 female colleagues trialled PPE designed specifically for women, including maternity specific PPE, which will result in an all site roll out in FY22.
- All site surveys were distributed to understand the availability of female washroom and changing facilities, with the intention to change or add facilities where necessary.
- A mentoring programme was shaped to support women at Biffa.

We remain committed to our WiW group and believe it is an important step in tackling gender balance at Biffa and in the wider waste industry.

As a member of the FTSE 250, we submit gender data on our Board and Group Executive Team and their direct reports to the Hampton-Alexander Review annually. The table above shows our employment by gender in each of the relevant categories as at March 2021. As previously mentioned Claire Miles was appointed to the Board on 1 April 2021, which takes our Board female representation to 29%.

Our gender statistics

	Male		Female		Total	
	No's	%	No's	%	No's	%
Board	5	83.3%	1	16.7%	6	100%
Executive	6	66.7%	3	33.3%	9	100%
Direct Reports to Group Executive Team	31	72.1%	12	27.9%	43	100%
All Employees	7,487	81.8%	1,670	18.2%	9,157	100%

We have a negative gender pay gap at Biffa which is due to our large blue collar workforce which is 98% male. Women are better represented in staff and management roles (41.6%).¹ More information can be found in our Gender Pay Gap Report: www.biffa.co.uk/sustainability/corporate-social-responsibility

We believe inclusion is key to creating an environment where employees can thrive.

Creating an inclusive environment

We understand that gender is just one area of diversity and that there is much more to do to create a consistently inclusive environment where differences are valued and all colleagues can thrive.

We expanded our calendar of D&I events this year, to recognise and share educational stories on a wide variety of topics including: National Inclusion Week, Black History Month, Diwali, International Women's Day, Ramadan, Eid and Black Inclusion Week. In early FY22, we will also be celebrating Pride month, which is all about embracing diversity and moving forward with equality.

We delivered D&I training remotely to employees during the year which centred on the key themes of our diversity policy, including unconscious bias, race and gender discrimination. We also delivered a toolkit to managers to deliver D&I briefings to frontline employees.

Our diversity policy also covers specific arrangements for people with disabilities including:

- Giving full and fair consideration to applications from disabled persons, having regards for their skills and abilities.
- Continuing the employment of and arranging appropriate training for those who have become disabled while at Biffa.
- Career development and promotion of disabled employees.

More information (including targets for the next 10 years) can be found in our Sustainability Report: www.biffa.co.uk/sustainability/sustainability-report-2021.

1. As per the regulations for gender pay gap reporting, this figure was calculated from data as at 5 April 2020, meaning Biffa's recent acquisitions of Company Shop Group and Simply Waste are not included this year.

Tackling modern slavery

Modern slavery is a hidden crime and a growing world-wide issue exacerbated by the rapid rise in global migration. At Biffa, we have a robust and effective approach towards modern slavery and human trafficking in order to protect our people and supply chain. We procure goods and services under the Code of Ethics of the Chartered Institute of Procurement & Supply and complete due diligence checks on new and existing suppliers.

Partnering with Hope for Justice

In October 2020, we launched a campaign in partnership with the charity Hope for Justice, whom we have a long-standing relationship with and have been supporting for many years. The campaign raised awareness of modern slavery in the waste sector in the run up to National Anti-Slavery Day in October 2020.

Trucks rebranded with anti-slavery message

Ten waste collection trucks were re-branded with the 'anti-slavery' message in locations where the risk of modern slavery is particularly prevalent, namely London, Birmingham, Newcastle, Manchester and Peterborough.

Ride for Freedom

Biffa has also partnered with Ride for Freedom, the social enterprise that aims to increase awareness of modern slavery, raise funds to support survivors and deliver the Freewheel pilot programme which empowers survivors of exploitation to cycle, in partnership with Unseen.

Employee training

We continue to make strides to protect ourselves from modern slavery penetration and have a target to become an acknowledged leader in anti-slavery practices within the UK waste sector by 2025.

All relevant employees in the business receive training on modern slavery prevention.

To support this there is a guidebook to help staff spot the different types of modern slavery, including how to follow up and report concerns.

There is more information on the policy section of the Biffa website along with the Group's modern slavery statements from 2017 through to 2020 and a case study with the Slave-Free Alliance that we published last year.

These can be found at www.biffa.co.uk/about-us/policies

Sustainability Performance continued

Caring for our people, supporting our communities continued

Ethics and human Rights

We conduct our business with honesty, integrity, fairness and respect and encourage all our employees to embrace these principles. Our employee welcome booklet sets out our expectations and we also have specific policies including whistleblowing, anti-fraud, bribery and corruption, disciplinary and grievance matters, diversity and inclusion, and preventing modern slavery.

We have a stated ambition to progress towards Living Wage Foundation rates for our lower paid workers and are making steps towards that with the introduction of a threshold across the business to ensure that all our employees are paid above the National Living Wage.

Whistleblowing

The Group has a long established whistleblowing policy and procedure by which all employees (or other stakeholders) may, in confidence, report any concerns where the interests of the Company or others are at risk. A copy of our policy is available at www.biffa.co.uk/about-us/policies. Employees are encouraged in the first instance to talk to their manager, a higher level of management or a member of the HR team. However, in circumstances where this is not possible, or is inappropriate, the Group has provided an independent, external whistleblowing hotline, via Safecall, for the reporting of such matters on a named or anonymous basis.

There were 60 whistleblowing reports in the year ended 26 March 2021, nearly 62% (37 cases) of them being in the categories of inappropriate behaviour or dishonesty.

Of these, in 16 instances the case was upheld (6 resulting in disciplinary action; 2 resulting in system or process change and 8 resulting in other action being taken, for example training for staff). In 20 instances the investigation concluded that the case was not upheld, and the remaining case is currently under investigation.

All reports are entered in the Group Whistleblowing Register and are treated in the strictest confidence. The output of an investigation is typically reviewed by a review body, which confirms the outcome and any action to be taken, comprising the Group HR Director, General Counsel & Company Secretary and other senior leaders as appropriate, dependent on the nature of the complaint.

Giving back to our communities

In the year we continued to support local communities through fundraising activities, such as contributing to food banks and biodiversity initiatives. We also remain a proud partner to the charity WasteAid, who share practical and low-cost waste management knowledge with communities in developing countries.



£75,000

In the last three years we have raised over £75,000 for WasteAid and sent Biffa employees out to support projects in developing nations, including The Gambia and Kenya.

We support our employees in their volunteering activities within their local communities. We believe that, in addition to giving something back to society, volunteering results in better teamwork, motivation, engagement and personal fulfilment for employees. Due to the Covid-19 pandemic, most Company-organised volunteering activities were put on hold this year, however it is our objective to restart activities in FY22.

We also have the Biffa Award, a multi-million-pound environment fund managed by Royal Society of Wildlife Trusts, which utilises landfill tax credits donated by Biffa. The aim of Biffa Award is to support projects that will be of a lasting environmental benefit, improve quality of life and foster “vibrant communities”.

£179 million

Since 1997, Biffa Award has awarded grants totalling more than £179 million to thousands of worthwhile community and environmental projects across the UK.

Almost 500,000 hectares of land has been improved for biodiversity and an estimated 265,000 people have directly benefited from project improvements. We are committed to providing an additional £25m to local communities by 2030.

You can read more about our people and communities in our Sustainability Report here: www.biffa.co.uk/sustainability/sustainability-report-2021.

Transforming lives with Community Shop

Company Shop Group has an award-winning social enterprise called Community Shop.

Community Shop is a not-for-profit community interest hub that supports some of the most deprived areas of the UK. Each of the Community Shops sells produce provided by donations from supplier partners at deeply discounted prices, alongside the provision of a number of community services, including community hub and community kitchen.

97%

of members said they had developed a new skill or ability to reach their life goals through accessing community hub.

The pandemic has meant the team at Community Shop have had to adapt the way they communicate and provide services to its communities.

They have transformed Community Kitchen to offer takeaway hot food at low prices, which has been a vital service during this extremely tough year. They've also been there to provide a friendly face and a socially distanced chat to members, which has provided some much-needed comfort.

NON-FINANCIAL INFORMATION STATEMENT

The Non-Financial Reporting Requirements set out in the Companies Act 2006 are addressed in the statement below, which cross references other areas of the Annual Report and Accounts, Sustainability Report and the Biffa website where further information can be found.

The statement reflects Biffa's approach to environmental, social and employee related matters. The majority of policies can be found on our website: www.biffa.co.uk/about-us/policies.

Main policies and standards which govern our approach	How we monitor the effectiveness of the policies	Where material information can be found
The Company's employees		
Anti-Fraud, Bribery and Corruption Policy and Procedure <p>The policy sets out the standards that are expected of employees and the systems and procedures which Biffa employs to minimise the opportunity for fraudulent or corrupt behaviour and how it will deal with any instances of such behaviour.</p>	<ul style="list-style-type: none"> Biffa enforces a strict prohibition against the giving, receiving, offer, acceptance, payment or authorisation of any bribes, and also against any other form of corruption. We also demand transparency and integrity in all of our business dealings, to avoid any improper advantage, or the appearance of questionable conduct by our employees or third parties with whom we do business. 	<p>For further information see page 66 of the Annual Report and page 70 of the Sustainability Report: www.biffa.co.uk/sustainability/sustainability-report-2021.</p>
Whistleblowing Policy and Procedure <p>The Group has a long-established whistleblowing policy and procedure by which all employees may, in confidence, report any concerns where the interests of the Company or others are at risk.</p>	<ul style="list-style-type: none"> All reports are entered in the Group Whistleblowing Register and are treated in the strictest confidence. The output of an investigation is typically reviewed by a review body, which confirms the outcome and any action to be taken, comprising the Group HR Director, General Counsel & Company Secretary and other senior leaders as appropriate, dependent on the nature of the complaint. There were 60 whistleblowing reports in the year ended 26 March 2021, nearly 62% (37 cases) of them being in the categories of inappropriate behaviour or dishonesty. 	<p>For further information see page 68 of the Annual Report and page 71 of the Sustainability Report: www.biffa.co.uk/sustainability/sustainability-report-2021.</p>
Diversity and Inclusion Policy <p>Our diversity policy is designed to provide equal opportunities in employment and to avoid unlawful discrimination.</p> <p>Biffa will not discriminate directly or indirectly in our recruitment, employment and post-employment practices because of age, disability, sex, gender reassignment, pregnancy, maternity, race (which includes colour, nationality and ethnic or national origins), sexual orientation, religion or belief, or because someone is married or in a civil partnership.</p>	<ul style="list-style-type: none"> Every employee is required to assist us to meet our commitment to provide equal opportunities in employment and avoid unlawful discrimination. We have manager guidelines for diversity, helping them to consider diversity/equal opportunity obligations. Managers are also advised to make reasonable adjustments to our standard working practices to overcome barriers caused by disability and we have a Flexible Working Policy in place to support requests for variations to standard working practices. 	<p>For further information see page 67 of the Annual Report and page 68 of the Sustainability Report: www.biffa.co.uk/sustainability/sustainability-report-2021.</p> <p>You can also read our annual Gender Pay Gap Report here: www.biffa.co.uk/about-us/policies</p>
Health, Safety and Wellbeing Policy <p>Health & Safety and wellbeing are our highest priorities within the business and Biffa is committed to monitoring and reviewing performance on a regular and ongoing basis as set out in our policy. Our goal is to keep our people, our customers and the public safe through effective leadership and risk management, promoting high standards of health, safety and wellbeing in the workplace and in all our activities.</p>	<ul style="list-style-type: none"> Last year we updated our policy statement to combine a set of management standards that all operations at Biffa are required to follow. Despite the management of the Covid-19 pandemic ultimately taking priority this year, these standards were successfully embedded, and training was provided to employees, including contractors, to ensure compliance. 	<p>For further information see page 64 of the Annual Report and page 63 of the Sustainability Report: www.biffa.co.uk/sustainability/sustainability-report-2021.</p> <p>www.biffa.co.uk/about-us/policies</p>

Non-Financial Information Statement continued

Main policies and standards which govern our approach	How we monitor the effectiveness of the policies	Where material information can be found
Environmental Information		
<h3>Environment, Sustainability and Carbon Policy</h3> <p>Protection of the environment and the climate is a cornerstone of Biffa's business, both operationally and at corporate level. It is underpinned by our vision and purpose to be the leader in UK sustainable waste management and to change the way people think about waste and it is delivered by initiatives like our sustainability strategy, Resourceful, Responsible, and our operational Environmental Compliance Strategy. Biffa is committed to its compliance obligations as well as promoting high standards of environmental, sustainability, carbon and energy management at all our workplaces, and in all our activities.</p>	<ul style="list-style-type: none"> ■ Our Environment & External Affairs and SHQ teams work together across the business ensuring we meet our compliance obligations by monitoring, evaluation, auditing, coaching and training. ■ Our Board Sustainability Committee oversee environmental compliance, sustainability strategies and performance. ■ We report on our progress against our sustainability strategy targets annually in our sustainability report. 	<p>For further information see pages 46 – 63 of the Annual Report from page 45 of the Sustainability Report: www.biffa.co.uk/sustainability/sustainability-report-2021.</p> <p>www.biffa.co.uk/about-us/policies</p>
Human rights		
<h3>Modern Slavery and Human Trafficking Policy</h3> <p>The policy sets out the measures, systems and procedures which Biffa employs to minimise the opportunity for modern slavery and human trafficking taking place within the Group and within our supply chain and to commit Biffa to making an annual Modern Slavery and Human Trafficking Statement in accordance with the prevailing legislative requirements.</p>	<ul style="list-style-type: none"> ■ Biffa conducts risk assessments across its activities and supply chain in order to identify any area of its operations that might represent higher potential opportunities for slavery and human trafficking to occur. ■ Biffa works with specific recruitment agencies and resourcing partners who are equally committed to ensuring the work environment is free of slavery and human trafficking. ■ All Biffa colleagues and managed service providers have regular meetings with on-site Account Managers where we discuss their actions regarding the prevention of modern-day slavery. It is a standing item on monthly business meeting agendas and quarterly business reviews. Labour providers also give bi-weekly updates on any activity of concern. 	<p>For further information see page 67 of the Annual Report and page 67 of the Sustainability Report: www.biffa.co.uk/sustainability/sustainability-report-2021.</p> <p>And you can read our modern slavery statements and case studies here: www.biffa.co.uk/about-us/policies</p>
<h3>Reward Framework</h3> <p>A Biffa grading system and job evaluation framework has been developed with Korn Ferry, who are the market leaders in job evaluation, grading and remuneration matters. It helps to benchmark pay and benefits externally using job size based comparisons.</p>	<ul style="list-style-type: none"> ■ Our reward framework is designed to ensure we remain competitive and aligned to the market in regards to pay and benefits. ■ We have a stated ambition to progress towards Living Wage Foundation rates for our lower paid workers and are making steps towards that with the introduction of a threshold across the business to ensure that all our employees are paid above the National Living Wage. 	<p>For further information see page 68 of the Annual Report and page 64 of the Sustainability Report: www.biffa.co.uk/sustainability/sustainability-report-2021.</p>

Main policies and standards which govern our approach	How we monitor the effectiveness of the policies	Where material information can be found
Social matters		
Supplier Compliance Requirements Suppliers of goods and services must comply with all relevant legislation and international standards including trading policy, child and forced labour, health and safety of workers, non-discrimination, employment law, human rights, bribery and corruption. We procure under the Code of Ethics of the Chartered Institute of Purchasing and Supply.	<ul style="list-style-type: none"> ■ We have a social responsibility to our suppliers and customers. When problems arise with a supplier's performance, we work with the company concerned to help them to meet requirements. ■ We will be fair and lawful in our dealings but avoid any conduct which could be counteractive to our corporate social responsibility and ethical standards. We reserve the right to discontinue business with suppliers who do not comply with our requirements in this area. 	For further information visit https://www.biffa.co.uk/about-us/suppliers/social-and-ethical-standards
Sustainable Procurement Policy In the delivery of cost-effective and high-quality services to our customers, Biffa is a significant purchaser of goods and services. We recognise that the impact of this spend requires us to ensure our procurement practices are not only responsible, but also environmentally, economically, and ethically sound.	<ul style="list-style-type: none"> ■ Biffa will work with key stakeholders both within the business and externally in order to share best practice, identify new opportunities and deliver programmes that promote our aims for sustainable procurement. ■ Performance is monitored and recorded, and key performance measures such as carbon emissions reductions are regularly reported. 	For further information see page 75 of the sustainability report: www.biffa.co.uk/sustainability/sustainability-report-2021 .
Corporate Responsibility Policy Our corporate responsibility policy encompasses our people, health, safety & wellbeing, communities, the environment, our marketplace and relationships with our customers, suppliers and other parties as well as our commitment to business ethics and conduct.	<ul style="list-style-type: none"> ■ Our sustainability strategy outlines our targets in caring for our people, supporting our communities. 	For further information see page 68 of the Annual Report and page 73-74 of the Sustainability Report: www.biffa.co.uk/sustainability/sustainability-report-2021 .
Tax Strategy This policy details the Biffa Group of companies approach to conducting its UK tax affairs and identifying and mitigating taxation risk.	<ul style="list-style-type: none"> ■ Our Tax Strategy outlines our strategy for tax planning, our attitude to tax risk and its relationship with both our external tax advisers and tax authorities (HMRC & Welsh Revenue Authority) ■ Annual meetings with relevant stakeholders are held to review our tax accounting processes. 	For more information visit: www.biffa.co.uk/-/media/files/investors/corporate-governance/biffa-group-of-companies-uk-tax-strategy.ashx

Other non-financial information		
Non-financial information	Section	Pages
Business model	Our Business Model	14 – 15
Sustainability KPIs	Key Performance Indicators	32 – 33
Principal risks	Managing our Risks	52 – 58

EFFECTIVE RISK MANAGEMENT UNDERPINS THE SUCCESS OF OUR GROWTH STRATEGY

The Board has overall responsibility for risk management at Biffa. In support of this, risk management is firmly embedded within our everyday business activities and our culture.

Governance

The Board recognises its responsibility to ensure that the Group's risk management and internal control systems are effective. The Audit Committee supports the Board in the management of risk and has been delegated with authority to review the effectiveness of the risk management and internal control processes during the year.

Day-to-day risk management and control is the responsibility of the Group Executive Team who ensure that management provides leadership and direction to employees so that our overall risk-taking activity is kept within our risk appetite.

Biffa operates the 'Three Lines of Defence' model to manage the ongoing effectiveness of risk and control, to define the relationship between the various management and oversight functions, and to demonstrate how responsibilities are allocated. The Internal Audit function assesses our risks and controls independently and objectively. On a quarterly basis, management self-certify that the key controls within their area of responsibility have been operating effectively. Internal Audit independently validate these results through sample testing.

Risk appetite

The Board sets our overarching risk culture and appetite and ensures that we manage risk appropriately across the Group. Health & Safety, legal, regulatory and environmental risks are our top priority. Biffa dedicates significant resources and focus to managing and monitoring these risks, with other key risks considered and reviewed alongside this. In each case, controls and mitigating actions aligned to the risk appetite are put in place.

Risk management processes

The Group's risk management processes are centrally coordinated with an established network of 'Risk Champions' in place to facilitate updates to risks during the year. The Risk Champions are members of the senior management team and take a lead role in engaging local management to identify, agree and update risk information on a regular basis.

We use a risk assessment matrix to ensure that risks are assessed consistently. This matrix considers the likelihood of the risk materialising and its potential impact. We assess both the inherent risk, before any mitigating actions, and the residual risk, after considering mitigating actions and controls. We also identify any additional activities that could be undertaken to further mitigate the risk.

The Group Executive Team receives regular reports on the principal and emerging risks and ownership of each of these risks is assigned to individual members of the Team. They are responsible for ensuring the effectiveness of the internal control systems and for implementing risk mitigation plans.

Risk Management Framework



OVERVIEW OF OUR PRINCIPAL RISKS AND UNCERTAINTIES

The Audit Committee undertakes regular reviews of the principal and emerging risks, as identified and evaluated by management through the above process. The Audit Committee also reviews summaries of the work undertaken by the Internal Audit function, which operates a risk-based annual plan of assurance reviews.

Our risk management systems are intended to mitigate and reduce risk to the lowest extent possible, however we cannot eliminate all risks to the Group. The risk management processes can only provide reasonable and not absolute assurance against material misstatement or loss.

Covid-19

Throughout the Covid-19 pandemic our risk management and internal control processes have operated as normal. Whilst there was a significant impact on the day to day activities of the Group, particularly in the I&C and Landfill businesses, we have continued to operate successfully throughout the pandemic. Given the ongoing uncertainty we will actively monitor and respond to further changes where needed. We continue to disclose Covid-19 as a principal risk.

Emerging risks

In addition to known risks, we identify and analyse emerging risks and the need for mitigation as part of our existing risk management processes. We consider both the inherent risk and the opportunity. These risks are reviewed by both the Group Executive Team and the Audit Committee, and include risks relating to climate change, such as flood risk arising from high rainfall, pandemic and infectious diseases, changes to the workforce demographic and the use of alternative fuels. You can read more about our emerging risks relating to climate change in our TCFD report on pages 56 – 62.

Principal risk	Link to Strategic pillars	Risk movement	Current risk level
Strategic			
1. Changes in Government policy and legal and regulatory compliance	B T	↔	High
2. Strategic/competitive threat to business model	B	↓	Medium
3. Mergers and acquisitions strategy and delivery	B	↓	Medium
4. Strategic project implementation	B T C	↓	Medium
Operational			
5. Long-term contracts and tendering	B C	↔	Medium
6. Health & Safety	C	↔	Medium
7. Covid-19	B C	↔	High
8. Business continuity, cyber security and IT resilience	B	↔	Medium
9. Availability of labour	C	↑	Medium
10. Commodities market and pricing volatility	B T	↔	Medium
Financial			
11. Finance availability/investment	B	↓	Low
12. Economic environment	B C	↓	High

Link to Strategic Pillars



Building a circular economy



Tackling climate change



Caring for our people, supporting our communities

Risk movement



Increasing



Stable



Decreasing

Risk level



Low



Medium



High

Principal Risks and Uncertainties

1. Changes in Government policy and legal and regulatory compliance

The Group operates in a highly regulated industry and any changes to Government policy, standards or legal and regulatory compliance requirements could have an adverse impact on the Group's operations and results.

Link to stakeholder groups

- Employees
- Customers
- Investors
- Suppliers
- Government and Regulators

Strategic pillar



Risk movement



Risk impact

- Reputational
- Regulatory

Mitigating actions

Experienced and qualified teams, supported by legal and environmental expertise, that monitor changes and plan appropriate mitigations.

Representation on the Environmental Services Association and other external bodies; liaison with policy makers and Regulators at national and local levels; responses to Government/regulatory consultations and sustainability reporting.

Environmental compliance strategy in place including annually reviewed targets and actions at local, divisional and Group levels.

Established compliance processes in place to manage other regulatory compliance risks, such as anti-bribery and corruption, GDPR, modern slavery, competition and vehicle operating licences.

Founding member of the Slave Free Alliance and has implemented several initiatives, including a manager's guide to modern slavery, to raise awareness across the business.

Training for senior leaders and management on:

- modern slavery;
- anti-bribery and corruption;
- GDPR; and
- competition.

Changes in year

Further engagement with UK Government on development of new national waste policies and regulations as part of the National Resources & Waste Strategy and new internal working groups established

Direct engagement with Scottish Government and regulators in relation to the Scotland Deposit Return Scheme roll-out planned for 1 July 2022.

Further work following publication of sustainability strategy, 'Resourceful, Responsible', in March 2020, in relation to climate change risk and net zero carbon by 2050 ambition and publication of new annual Sustainability Report.

Analysis of "Scope 3" (suppliers) carbon emissions to inform future Scope 3 target development and registration of Biffa with the "Science Based Targets initiative".

Continued application of the environmental compliance strategy and associated training and best practice in relation to our operational waste management sites.

Amalgamation of Environment team into new Corporate Affairs department, under a newly appointed Corporate Affairs Director.

Became a founding member of the Waste and Recycling Modern Slavery Working Group.

Teamed up with Hope for Justice for a week-long campaign using Biffa trucks to raise awareness of Modern Slavery in the communities we serve.

Partnered with Ride for Freedom, a social enterprise that undertakes cycling challenges to raise awareness of Modern Slavery.

Comprehensive review and refresh of our GDPR policy and procedures.

2. Strategic/competitive threat to business model

Market disruption from the application of new technology and the advent of new business models could change the waste supply chain and adversely impact Biffa's established operating asset base of a traditional collection network and processing facilities.

Link to stakeholder groups

- Employees
- Customers
- Investors
- Suppliers

Strategic pillar



Risk movement



Risk impact

- Financial

Mitigating actions

Internal business innovation group focuses on market developments and acts as an incubator for ideas and new business models.

Continual competitor analysis to consider threats and changes to the landscape.

Annual strategy review to ensure that Biffa business model remains current and competitive.

Customer surveys to ensure that the Biffa offering remains relevant and compelling.

Ongoing investment in and improvement of the customer experience through digitisation, improved processes and management information.

Changes in year

Innovative concepts have been developed as potential projects and evaluated by the Group Executive Team.

Permanent Innovation Researcher post created to assist in ongoing horizon scanning.

Link to Strategic Pillars			Risk movement			Risk level		
								
Building a circular economy	Tackling climate change	Caring for our people, supporting our communities	Increasing	Stable	Decreasing	Low	Medium	High

3. Mergers and acquisitions strategy and delivery

Biffa faces risks arising from its acquisition strategy, such as increased competition for acquisition targets or a lack of suitable targets. Additionally, acquisition integration risks and issues could arise, impacting the delivery of expected benefits, either within expected timeframes or to the extent anticipated.

Link to stakeholder groups

- Employees
- Customers
- Investors
- Government and Regulators
- Environment and Communities

Strategic pillar	Risk movement	Risk impact
		■ Financial

Mitigating actions

Group delegated authorities for the review/approval of all transactions by senior management, Investment Committee and the Board.

Dedicated corporate finance expertise in place together with experienced Biffa subject matter experts as senior stakeholders for the acquisition process.

Board and executive level review and update included in monthly Board report summarising pipeline of identified potential targets.

Due diligence undertaken for all M&A transactions, including use of external advisers depending on target value and complexity. A standardised approach using an established valuation model is in place with all transactions reviewed/approved by the Investment Committee and (where appropriate) the Board.

Project team kept in place until integration phase completed. Post-acquisition reviews to track benefit delivery with financial benefits embedded within financial planning processes (e.g. forecasts and budgets).

Changes in year

Despite the impact of Covid-19, we have continued our M&A strategy to support growth and completed three acquisitions during the year, including Simply Waste and Company Shop Group.

4. Strategic project implementation

Failure to deliver strategic projects, such as energy from waste and business transformation. EfW increases Biffa's residual waste treatment capabilities providing a secure and cost-effective disposal solution for the I&C business. Business transformation is focused on our products and services, how they are sold and delivered, the technology used and the online services offered to customers. As with any such projects, there are risks that the project fails to deliver the anticipated improvements and/or benefits for the budgeted investment, adversely impacting reputation and operating results.

Link to stakeholder groups

- Employees
- Customers
- Investors
- Suppliers
- Government and Regulators
- Environment and Communities

Strategic pillar	Risk movement	Risk impact
  		■ Financial

Mitigating actions

Board and Group Executive Team engagement and leadership.

Selected software is a proven 'off the shelf' product. Independent programme assurance.

Change network in place to ensure line management ownership of business transformation.

Robust due diligence completed prior to financial close of EfW projects.

Proven EfW technology, substantial UK and worldwide reference plants with >30 operational in the UK treating more than 10m tonnes per annum.

EfW joint venture providing complementary skill sets and experience to minimise risk.

Limited recourse project structure.

Changes in year

Due to the delays created by Covid-19 it was agreed to impair the incomplete work paused due to the likely need for rework of elements of the solution once the business transformation programme resumes.

New e-commerce capability launched in October 2020 to facilitate digital sales of core services.

Protos and Newhurst EfW projects successfully reached financial close and construction has commenced. Both projects benefit from fixed time and cost contracts.

5. Long-term contracts and tendering

The Group is exposed to risks inherent in long-term fixed-price contracts, in particular in its Municipal division and related operations. Risks include inaccurate long-term cost estimates due to changes in the external operating environment and market dynamics that lead to material deviations from initial underlying assumptions.

Link to stakeholder groups

- Employees
- Customers
- Suppliers

Strategic pillar	Risk movement	Risk impact
 		■ Financial ■ Reputational ■ Operational

Mitigating actions

Group Delegated Authorities for the review/approval of bids by senior management, Investment Committee and the Board (depending on bid size and compliance with risk frameworks).

Material bids are compiled by dedicated development teams with significant expertise and experience. They are supported by subject matter experts as appropriate.

Protection from change of law or force majeure for unforeseen circumstances is agreed in contracts, where possible.

A contract risk framework is in place to identify key commercial/legal risks and confirm through the governance process that these have been considered and mitigated.

Changes in year

The risk framework has been embedded firmly in the bidding process, with four successful tenders during the year been mobilised successfully and operating at expected profit levels.

Improved capacity and capability across our project management and mobilisation facilitating a culture of continuous improvement

Increased resourcing levels in the commercial department to build on last year's investment.

Principal Risks and Uncertainties continued

6. Health & Safety

Biffa's operations present inherent H&S risks to our employees, our customers and the wider public.

Violations of H&S laws/ regulations could have a material adverse effect on Biffa's business and reputation.

Link to stakeholder groups

- Employees
- Customers
- Investors
- Suppliers
- Government and Regulators
- Environment and Communities

Strategic pillar



Risk movement



Risk impact

- Reputational
- Regulatory

Mitigating actions

Group H&S Director reports to the CEO.

Active and regular engagement by senior management including weekly reporting and calls with the Group Executive Team.

Inclusion of H&S targets and objectives within Group Balanced Business Plans with one of the five pillars being 'Safer Together'.

Embedded policies, standards and procedures in place across Biffa for the systematic control of significant H&S risks.

Primary authority relationship with Hampshire & Isle of Wight Fire and Rescue Service enables access to advice and counsel on fire risk issues.

Management system transitioned to ISO 45001:2018.

Changes in year

Continued roll out of the Safer Together programme.

Existing H&S standards updated and incorporated into a new Group Integrated Management System.

Covid-Secure protocols and processes implemented in accordance with UK Government guidelines.

Implementation of the new driver training programme – Streetwise developed which focuses on defensive driving behaviours.

E.N.E.R.G.Y. wellbeing programme delivered supporting key topics such as mental health.

7. Covid-19

The ongoing uncertainty of the timing of a return to growth following the Covid-19 pandemic. A significant reduction in demand for I&C collection services, as many customers are forced to cease or drastically reduce trading, as well as reductions in volumes into some processing facilities in the R&E division, may have an adverse impact on Biffa's operating performance, revenues and results of operations.

Link to stakeholder groups

- Employees
- Customers
- Investors
- Suppliers
- Government and Regulators
- Environment and Communities

Strategic pillar



Risk movement



Risk impact

- Operational
- Financial
- Reputational

Mitigating actions

The Group introduced measures to reduce costs, including furloughing over 1,800 employees; temporary pay reductions taken by the Board, the Group Executive Team and the broader Leadership group; and suspension of bonuses and pay increases.

In addition, payment deferrals were negotiated where appropriate and meaningful in areas such as indirect taxes, pensions, lease liabilities and material supplies.

Covenant amendments and additional liquidity headroom were agreed with the Group's banks.

£100m equity raise in June 2020 to help the Group continue to pursue its strategic growth plan.

An internal response team was set up to ensure we supported the health and wellbeing of our colleagues, managed business continuity, provided clear and timely communications and minimise service disruption.

All staff who could were advised to work from home and ensured the appropriate Covid-secure measures were applied across our workplaces.

Internal communications and engagement with CEO vlogs, all employee calls with the Group Executive Team, internal appreciation campaigns and our employee app, Biffa Beat all contributing.

Changes in year

We will continue to monitor the situation and respond to further changes where needed.

8. Business continuity, cyber security and IT resilience

A significant disruption to Biffa's infrastructure, including IT systems, could potentially have an impact on the activity of the Group's customers, such as increased billing times, interruptions to collection operations and processing logistics, and additional costs.

Additionally, the theft, loss, destruction, misappropriation, or release of sensitive and/or confidential information could result in business disruption, breach of GDPR, negative publicity or brand damage.

Link to stakeholder groups

- Employees
- Customers
- Suppliers

Strategic pillar



Risk movement



Risk impact

- Financial
- Reputational
- Operational

Mitigating actions

Crisis management and emergency response plans in place for key sites and operations.

Server infrastructure supporting key IT services hosted in Microsoft Azure Cloud providing resilience, failover and backup services.

ISO 27001 certification (Information Security) in place.

Cyber Essential Plus certification in place.

Intrusion detection in place and a cloud-based 'always on' security service provided by Microsoft protecting against key cyber threats.

Cyber security education initiatives taken place.

Established GDPR policy and procedures to ensure compliance.

Changes in year

Cyber Essentials plus certification achieved.

Continuity Plan updated to remove dependency on office space. Plan audited and assured as part of ISO 27001.

Security and continuity mechanisms continue to function successfully under Covid conditions.



Building a circular economy



Tackling climate change



Caring for our people, supporting our communities



Increasing



Stable



Decreasing



Low



Medium



High

9. Availability of labour

The inability to source and retain appropriately priced and skilled labour to maintain competitive advantage, could have a material adverse effect on Biffa's business results, operations, financial condition and prospects.

Link to stakeholder groups

- Employees
- Customers
- Suppliers

Strategic pillar



Risk movement



Risk impact

- Operational

Mitigating actions

Reward framework for employees and managers aligned to the market, including Performance Share Plan for senior personnel and Sharesave scheme available to all employees.

Talent and management development programmes deployed at senior levels and progressively to other levels going forward.

Ongoing review of the recruitment and retention of key workers such as drivers.

Established apprenticeship programme.

Changes in year

Launched Advanced Leadership Programme for 16 high potential leaders.

Launched new additions to the suite of existing employee benefits.

Issued 'Free Shares' under the Shares Incentive Plan to the value of £300 to all eligible employees in December 2020, in recognition of employee contributions during the pandemic.

We have a stated ambition to progress towards Living Wage Foundation rates for our lower paid workers and are making steps towards that with the introduction of a threshold across the business to ensure that all our employees are paid above the National Minimum/Living Wage.

10. Commodities market and pricing volatility

Biffa produces significant volumes of recycled commodities for re-sale. Commodities produced include various paper grades, card, plastics, and ferrous and non-ferrous metals.

In addition, Biffa generates power from renewable sources and changes to electricity export prices impact revenues and profits achieved.

Markets for these recycle products have individual supply and demand dynamics impacting both price and availability of off-take.

Link to stakeholder groups

- Customers

Strategic pillar



Risk movement



Risk impact

- Financial
- Operational

Mitigating actions

Ongoing monitoring and improvements to product quality within recycling processes.

Off-taker strategy review to limit dependency, where able, on non-OECD markets.

Commodity price risk sharing within long-term commercial contracts.

Working with key customers (e.g. Local Government) to agree gate fees to reflect any increased costs and dual collection methods.

A draft of a quality standard for recovered paper has been prepared by a number of the UK's waste management industry companies and will be presented shortly to the Environmental Services Association (ESA – the industry trade body) for approval.

Power price hedging policy in place, which is regularly reviewed.

Route to market Power Purchase Agreement with top tier off-taker gives off-take certainty and credit worthiness.

Changes in year

Investment in sorting technology and process improvements to ensure we can continue to supply markets with a high quality product and that we maximise the product captured and recycled. Supply agreements now in place with domestic processors to enable a proportion of the material to remain in the UK.

Continued investment in plastic recycling has significantly reduced reliance on exports, with most of recovered plastics being processed to end destination internally.

Continued focus on minimising exposure to recycle commodity price fluctuations by risk sharing with our local authority customers. At the end of FY21, we mitigated 64% of commodity price risk through this approach.

Mid-year mixed paper imports to China ceased. Despite this, demand for fibre increased in the second half of the year, reflecting new European capacity, alongside mills strengthening stock levels should collections volumes fall significantly due to widespread lockdowns as seen earlier in the year.

The EU banned the export of contaminated and highly mixed plastic waste to non-OECD countries from 1 January 2021 and while the UK has not introduced an outright ban, these exports are now subject to prior written notification and consent. This change in legislation could positively impact our business if more recyclable mixed plastic waste is sold within the UK rather than overseas.

Principal Risks and Uncertainties continued

11. Finance availability/ investment

If the Group were to fail to comply with any of the financial or non-financial covenants in its credit facilities (due, for example, to deterioration in financial performance), it could result in an event of default and the acceleration of the Group's obligations to repay those borrowings, increased borrowing costs or cancellation of certain credit facilities.

Link to stakeholder groups

- Investors

Strategic pillar



Risk movement



Risk impact

- Financial

Mitigating actions

Significant and flexible bank funding facility with substantial headroom to enable the Group to progress strategic priorities and accommodate any downside performance risk.

£350m unsecured revolving credit facility, expiring in March 2025, with an extension of one year on 84% of the facility. As at the end of the year, £150m of the facility was undrawn.

In addition to the bank funding facility, the Group has over £140m of lease liabilities, with undrawn funding of over £30m at the end of the year.

Ongoing monitoring of financial and non-financial covenants with summary updates to the Board.

Changes in year

Covenant amendments and additional liquidity headroom have been agreed with the Group's banks in response to the Covid-19 crisis. The supplementary agreement was ended in February 2021 and the Group has returned to the original covenants.

In order to maintain adequate liquidity headroom post acquisition of Viridor, the Group has arranged a private placement facility with two investors for £150m covering a term of 7 and 10 years with an average borrowing cost of 2.73%.

12. Economic environment

Economic conditions in the UK may have an adverse impact on Biffa's operating performance, revenues and results of operations. The Group is exposed to political, social and macroeconomic risks relating to the UK's exit from the EU.

Any economic weakness that leads to reduced volumes of waste and recycle will adversely impact the Group's business.

Furthermore, a deterioration in macroeconomic conditions may also result in increased competitive pricing pressure and increased customer turnover.

Link to stakeholder groups

- Customers
- Investors
- Suppliers
- Government and Regulators
- Environment and Communities

Strategic pillar



Risk movement



Risk impact

- Financial

Mitigating actions

Biffa has revenues and costs that are either directly or indirectly impacted by the value of Sterling relative to key currencies such as the US Dollar or the Euro. This provides some degree of offset and natural hedge.

We enter into forward contracts for the sale of electricity and to mitigate short-term currency exposures, improving earnings visibility in the short term.

Biffa provides services across the breadth of the UK economy and to customers in the public and private sectors. The breadth of customers offers a degree of protection against economic pressures that may affect specific areas of the economy.

Changes in year

We continue to monitor this risk but are confident that our existing mitigations enable the Group to minimise the impact of any weakening in economic conditions.

Link to Strategic objectives



Building a circular economy



Tackling climate change



Caring for our people, supporting our communities

Risk movement



Increasing



Stable



Decreasing

Risk level



Low



Medium



High

Viability Statement and Going Concern

During FY21, Biffa's financial performance was materially impacted by the Covid-19 pandemic and the associated lockdown measures. The Group demonstrated its agility and responsiveness in addressing the volume fluctuations, but an impact was still seen in profitability for the year.

At the beginning of the pandemic, the Group was producing weekly forecasts, which involved re-forecasting under different scenarios. As things began to stabilise the Group moved to bi-weekly forecasting moving to quarterly forecasting from the second quarter.

The greatest impact of the pandemic was felt in the first quarter of the financial year, where volumes in both the I&C and Landfill businesses dropped to around 50% of prior year levels. As lockdown measures eased, we saw volumes rapidly improve to around 95% of FY20 levels, before again being impacted during the second and third lockdown periods and overall Group revenue averaging at 90% of prior year outturn.

One of the Group's immediate responses, to protect its financial strength during the Covid-19 effected period, was to agree short-term revised covenants on the revolving credit and surety facilities. This increased the leverage covenant from 3.5x to 5.5x for the first half of the financial year, which was reduced to 4.3x for the second half. The Group also undertook an equity placing of 50m Biffa plc shares in June 2020, raising net proceeds of £97.7m.

Consequently, even after significant ongoing investment in the period, the actual outturn at September 2020 was 1.3x and at the year-end was 2.2x. As a result, despite going back into lockdown in January 2021, it was apparent from underlying performance that the Group didn't need to rely on these protections and as a result the waivers were removed in February 2021 at Biffa's request, which in turn removed the associated restrictions on finance lease, capital expenditure and M&A activity.

The Group had unutilised committed bank facilities available of £150m as at the FY21 year end and cash and cash equivalents of £30.8m. Latest forecasts suggest that the Group will return back to FY20 EBITDA excluding adjusting items levels during FY22, providing we don't encounter further lockdowns. These forecasts, when overlaid with sensitivity analysis taking into account different scenarios for fluctuations in trading performance, show that the Group is expected to be able to comfortably operate within the current levels of the revolving credit facility over the next 12 months.

On 21 May 2021, the Group reached agreement to buy Viridor's Collection business and certain recycling assets. While a deal has been agreed, completion is subject to the necessary separation steps and Competition and Markets Authority clearance, which is expected no earlier than August 2021. Expected cash consideration is c.£126.0m plus c.£17m of IFRS 16 leases assumed. The assets acquired delivered revenue of £142m and EBITDA excluding adjusting items of £18m in the year ending March 2020.

In order to maintain adequate liquidity headroom, following the completion of the Viridor acquisition, the Group has arranged a private placement facility with two investors for £150m covering a term of 7 and 10 years with an average cost of 2.73%.

Whilst the Group is subject to a number of principal risks, as disclosed in the Strategic Report, these are considered to be well managed by the Board and the Group is fairly defensive in nature. However, the economic downturn impacts of Covid-19 have proved to be an entirely different proposition and the impacts of this are the main factors taken into consideration for the viability assessment.

In accordance with provision 31 of the UK Corporate Governance Code 2018, the Board has assessed the viability of the Group over a longer period than twelve months and has adopted a period of three years for the assessment. In determining the appropriate period over which to assess viability, the Board has considered budgeting, forecasting and strategic planning cycles, the timeframe within which the Group assess risks and the maturation of the Group's credit facilities.

Three years is considered an appropriate time period given the short-term impact of the Covid-19 lockdown measures to the waste industry and is a reasonable period for a shareholder to expect a waste business to be assessed over. Beyond the three-year period, the Group has considered and is satisfied the longer term pre-Covid-19 strategy is still relevant and appropriate, this includes further recycling capacity, acquisition growth and investment in energy from waste.

For the purposes of assessing the viability of the Group, a detailed 36-month forecast has been produced. This is built up from a sub-divisional level and assumes a base case and a low case scenario.

The base case assumes a full recovery to pre-Covid volumes by FY23. It assumes the Group will continue to progress with the plastic processing plants and will continue M&A activity. The base case is formed of a detailed budget for FY21, which has been modelled on a site by site basis using a bottom-up approach – this budget has been approved by the Board. The forecast for years 2 to 3 is from the 5-year plan for the Group, built up on a sub-divisional basis and has been approved by the Board.

The low case assumes depressed volumes for a longer period of time, it assumes no M&A activity and uncommitted plastics projects would be paused along with other discretionary capex. The volumes in the low case scenario are similar to those we experienced during the lockdown measures during the second lockdown.

A further analysis including the Viridor acquisition was undertaken taking into account the additional £150m funding that has been arranged for the transaction.

The Group's profitability, liquidity and financial headroom have all been assessed and incorporated within the above-mentioned scenario analysis.

Within these forecasts the Board carried out a robust assessment of the principal risks facing the Group, including the impact of Covid-19 on the various sectors the business operates in and the waste streams arising in all the Group's operating areas. To assess viability, multiple, material risks are selected by the Board and are assumed to crystallise in parallel during the assessment period, putting financial and operational performance of the business under plausible, but unlikely, stresses.

Based on the results of this analysis and after careful consideration of the uncertainty and dynamic nature of Covid-19, including reviewing the fast changing external factors and their cumulative impact in the short, medium and long term, and other considerations including the Group's business model and ability to model a range of severe, but plausible, reasonable worst-case scenarios, the Directors confirm that they have a reasonable expectation that the Group will be able to withstand the impact of each of these scenarios, in isolation and in a number of plausible combinations, should they occur in the course of the three-year assessment period.

In each event the Group would continue in operation and meet its liabilities as they fall due. Therefore, the Board concluded that it remains appropriate to consider a three-year time frame over which we should assess the long-term viability of the Group over the period to 31 March 2024.

The Strategic Report was approved by the Board and signed on its behalf by:

Michael Topham
Chief Executive Officer
31 May 2021

GOVERNANCE AT A GLANCE

Documents available at: www.biffa.co.uk

- Biffa plc Articles of Association
- Matters Reserved to the Board
- Terms of Reference for Board Committees
- Board Diversity & Inclusion Policy
- Modern Slavery Statement 2021
- Tax Strategy 2021
- Gender Pay Gap Report 2021
- Notice of Annual General Meeting 2021
- Whistleblowing Policy

Composition of the Board

- 1 – Chairman
- 2 – Executive Directors
- 4 – Non-Executive Directors



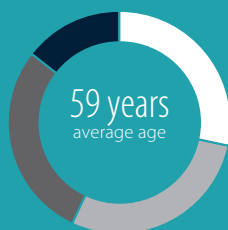
Length of Tenure

- 3 – 0-2 years
- 4 – 2-4 years



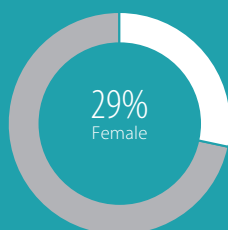
Age

- 2 – 40-49
- 2 – 50-59
- 2 – 60-69
- 1 – 70-79



Gender

- 2 – Female
- 5 – Male



As of 1 April 2021.

The UK Corporate Governance Code: How we comply

The Corporate Governance Report, which includes the principal Committee Reports and Directors' Report, explains how the Board has applied the principles and complied with the provisions of the UK Corporate Governance Code 2018 (the Code). The Code is available to view on the website of the Financial Reporting Council at www.frc.org.uk.

The Board has applied the principles and complied with the provisions of the Code throughout the year ended 26 March 2021, except for provision 38 which requires pension contribution rates for Executive Directors to be aligned with those available to the wider workforce. As stated in the Directors' Remuneration Policy, newly appointed Executive Directors' pension contributions will be aligned to the wider workforce from appointment. The incumbent Executive Directors will remain on their current pension contribution rates through to the end of 2022 when they will be aligned to wider workforce rates. Further information can be found in the Directors' Remuneration Report on page 116.

The table below sets out where the key content can be found in this report.

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Chairman's Introduction



Ken Lever

Chairman

On behalf of the Board, I am pleased to introduce the Company's Corporate Governance Report for this year. The Board's focus during the early part of the year was on providing oversight of the Company's response to the impact of the first wave of the Covid-19 pandemic on the business and its stakeholders, approving updates to the market and measures for near-term cash preservation. The Board continued to receive regular updates throughout the year on the impact of the further waves of the pandemic and the Company's response.

Following the Company's £100m equity raise in June 2020, the Company was able to recommence its strategic investment programme and the Board approved a number of bolt-on acquisitions in the Collections business, along with the acquisition of Company Shop Group, and further capital investment in plastics recycling in the Resources & Energy division and the Company's second EfW project. See page 13.

Changes to the Board during the Year

As previously mentioned, Gab Barbaro stepped down from the Board on 9 September 2020 due to a change in his executive role. This was an opportunity for the Board to review its balance of skills, knowledge, experience and diversity, and a recruitment process was kicked off to find a replacement Non-Executive Director. Following an extensive search process, we were pleased to announce the appointment of Claire Miles to the Board and the Remuneration Committee from 1 April 2021. Claire's biography can be found on page 83 and details of her selection and appointment process can be found on page 94.

Diversity and Inclusion

The Board supports the Hampton-Alexander Review and the Parker Review targets for gender and ethnicity and, during the year, the Board approved a new Board Diversity and Inclusion Policy. Following the appointment of Claire Miles, there are now two women members of the Board, which amounts to 29% of the Board. The Board remains committed to its target of achieving at least one-third women on the Board by the Company's AGM in July 2022. See page 97.

Sustainability

I reported last year on the publication of the Group's first sustainability strategy, 'Resourceful, Responsible'. I have been really pleased to see how this has been embedded during the year in the business and the progress that has been made towards our ambitious goals. As mentioned in my introduction on pages 06 – 07, the Board considered sustainability to be of such importance that it believed it appropriate to establish a separate Board Sustainability Committee to ensure that sustainability is given meaningful focus and support at Board level. The first Sustainability Committee meeting was held in January 2021 and the Report of the Committee can be found on pages 98 – 99.

Governance

The growing focus on corporate governance has continued. The increasing interest of the investment community on ESG has added to this momentum. We note the recent Government proposals on audit reform, and the changes and additional costs for corporates that will bring. We take corporate governance seriously at Biffa but continue to seek to achieve a balance and focus on those areas that are supportive of creating value.

Set out on pages 12 – 13 is the Board's s172 statement. During the year, the Board has clearly demonstrated its s172 duties in its response to the Covid-19 crisis and also in the principal decisions it has taken. Stakeholder engagement has been a focus and details of how the Board engages the different stakeholder groups can be found on pages 09 – 11.

Board Evaluation

During the year, Claire Chalmers conducted the Board's first external Board evaluation review since its IPO in 2016. I am pleased to report that there were no surprises. Claire found the Board to be a good and effective board with its dynamic a real strength, particularly the culture, tone and transparency. There were some actions which were recommended for the Board to consider and the Board has decided to focus on five of those in 2021/22. More information can be found on page 95.

Shareholder Consultations

At the Company's AGM in 2020, there were certain resolutions where the total votes in favour were below 80%. During the year, the Company has extensively consulted and engaged with our shareholders to better understand and discuss their concerns. Further information can be found on page 91.

Ken Lever

Chairman
31 May 2021

BOARD OF DIRECTORS

Ken Lever

Non-Executive Chairman

Date of Appointment

28 September 2016

Committee Memberships

N S

Nationality

British

Relevant Skills and Experience

Ken was appointed Chairman in March 2018. He has strong leadership skills and extensive listed company experience in a number of UK industry sectors. Ken also has a wealth of corporate finance experience, having previously held board executive director positions with Numonyx BV, Tomkins plc, Albright and Wilson plc and Alfred McAlpine plc. Ken joined Xchanging plc as its chief financial officer, and was subsequently appointed and served as its chief executive officer from 2011 to 2015. Ken is a Fellow of the Institute of Chartered Accountants and a former partner at Arthur Andersen.

Ken was previously a non-executive director of Catesby Property Group plc, iSoft plc and Vega Systems plc, and served for six years on the UK Accounting Standards Board between 2006 and 2012.

External Appointments

Ken is chairman of RPS Group plc and a non-executive director of Vertu Motors plc, Blue Prism plc and Gresham House Strategic plc.



Michael Topham

Chief Executive Officer

Date of Appointment

18 August 2016

Committee Memberships

None

Nationality

British

Relevant Skills and Experience

Michael was appointed Chief Executive Officer in September 2018, having previously held the role of Chief Financial Officer from 2013. He has proven abilities to develop and acquire companies which deliver sustainable growth while strengthening the Group portfolio.

Michael has more than 15 years' experience in the waste management sector, having held divisional managing director and finance director roles within Biffa before being appointed Group Chief Financial Officer, and as finance director of Greenstar UK prior to its acquisition by Biffa in 2010.

He trained as a Chartered Accountant with PwC in London where he held positions in both the audit and transaction services practices.

External Appointments

Michael is a director of the Environmental Services Association Limited.



David Martin

Senior Independent Director

Date of Appointment

28 September 2016

Committee Memberships

A N R S

Nationality

British

Relevant Skills and Experience

David is a chartered management accountant and has significant experience of both domestic and global transport businesses.

He was involved in the acquisition of National Express and the successive management buy-out, leading to the creation of British Bus Group Limited. David was subsequently appointed chief executive of Arriva plc, a position he held from 2006 to December 2015.

David is the Group's nominated Non-Executive Director for workforce engagement.

He was previously a non-executive director of Ladbrokes plc and Arriva plc.

External Appointments

David is chairman of FirstGroup plc.



Richard Pike

Chief Financial Officer

Date of Appointment

29 September 2018

Committee Memberships

None

Nationality

British

Relevant Skills and Experience

Richard was appointed Chief Financial Officer in September 2018. Richard has a wealth of financial experience, having trained as a chartered accountant with Price Waterhouse, he went on to hold a variety of financial and management positions at Pilkington plc, Scapa Group plc and Manchester Airports Group.

Latterly, Richard was the chief financial officer of AB Sugar, managing director of British Sugar and group chief financial officer of Boparan Holdings Limited.

External Appointments

None



Committee Membership

- A** Audit Committee
N Nomination Committee
R Remuneration Committee
S Sustainability Committee

Committee Chair

Gab Barbaro stepped down from the Board on 9 September 2020

Michael Averill

Non-Executive Director

Date of Appointment

28 September 2016

Committee Memberships

A N R S

Nationality

British

Relevant Skills and Experience

Michael has extensive knowledge of the waste management industry. He is a Fellow of the Chartered Institute of Waste Management and a former chairman of the Environmental Services Association. Michael held a number of senior management roles in the waste management industry before being appointed group chief executive of Shanks Group plc from 1994 to 2007 where he oversaw the growth of the group. Michael joined the former Board of Biffa Group in February 2013.

He was previously a non-executive director of TDG plc, Care UK plc, Speedy Hire plc, Van Gansewinkel Group in the Netherlands and the Saudi Investment Recycling Company in Riyadh, Saudi Arabia.

External Appointments

None

**Carol Chesney**

Non-Executive Director

Date of Appointment

12 July 2018

Committee Memberships

A N R S

Nationality

American/British

Relevant Skills and Experience

Carol has a wealth of financial and regulatory experience. She is a Fellow of the Institute of Chartered Accountants in England and Wales, and qualified with Arthur Andersen in the UK.

Carol was the company secretary of Halma plc, the FTSE 100 health, safety and environmental technology group, where she oversaw governance, pensions, group insurance and ethics compliance from 1998 until September 2018. Prior to this role, Carol was Halma's group financial controller with oversight of all day-to-day financial planning and reporting matters.

External Appointments

Carol is a non-executive director of Renishaw plc, Hunting plc and IQE plc.

**Claire Miles**

Non-Executive Director

Date of Appointment

01 April 2021

Committee Memberships

R

Nationality

British

Relevant Skills and Experience

Claire is currently the chief executive officer of Yell, the UK digital marketing services business. Prior to this, Claire was managing director of Centrica Hive Limited as part of a nine-year career at Centrica holding various general management and operational positions, including managing director of HomeCare, where she gained significant experience in customer service, digital and business transformation.

Claire previously held executive leadership roles at General Electric and Santander and was a non-executive director at Northgate plc for four and a half years.

External Appointments

Claire is chief executive officer of Yell UK.

**Sarah Parsons**

General Counsel and Company Secretary

Date of Appointment

July 2019

Relevant Skills and Experience

Sarah joined Biffa in 2019 as General Counsel and Company Secretary. She is responsible for managing legal risk and supporting Biffa's Chairman and the Board in maintaining high standards of corporate governance. Sarah also leads the insurance and property teams.

Sarah is a senior lawyer with over 20 years' experience in private practice and in house legal roles in England and Australia. She joined Biffa from Rotork plc where she was senior legal counsel and company secretary. Before this, Sarah spent seven years as senior legal counsel for ANZ Bank in Australia. She began her career at Bryan Cave Leighton Paisner in London where she spent more than a decade as a corporate M&A lawyer. Sarah is qualified as a solicitor in England and Australia.

External Appointments

None



GROUP EXECUTIVE TEAM

Michael Topham

Chief Executive Officer

Michael's full biography appears on page 82.



Richard Pike

Chief Financial Officer

Richard's full biography appears on page 82.



Sarah Parsons

General Counsel and Company Secretary

Sarah's full biography appears on page 83.



David Bird

Chief Operating Officer,
Collections and Specialist Services

Date of Appointment
April 2021

David leads Biffa's Collections and Specialist Services divisions.

Using his significant experience in transforming business performance, David is focused on growing Biffa's Collections business in line with its strategy.

Prior to joining Biffa in January 2021, David worked in the energy sector for both EON UK and Co-op Energy for over 11 years, using digital technology to re-engineer operations and successfully grow the businesses. His experience also involves senior roles at various companies including M&S, BUPA, Sainsbury's, Homebase and Vodafone. David has held several non-executive roles in the public sector over the past 15 years, including the Department for Education, the Independent Police Complaints Commission and Frimley Park Hospital NHS Foundation Trust.



Mick Davis

Chief Operating Officer,
Resources & Energy

Date of Appointment
September 2010

Mick joined Biffa when it acquired Greenstar UK in 2010, where Mick was Recycling Director. Mick progressed to become Managing Director of Biffa's Resource, Recovery & Treatment business, before taking on the position of Chief Operating Officer for the Resources & Energy division in 2019. Mick's division is responsible for much of Biffa's recycling infrastructure and initiatives, with Mick playing an instrumental role in the development of Biffa's recently opened state-of-the-art £27.5m plastic recycling facility in Seaham. Mick is also the lead for Biffa's EfW plants, which will turn non-recyclable waste into much-needed renewable energy for the UK.

In addition, Mick is a Trustee of the Biffa Award, which supports community projects around the UK such as improving local biodiversity as well as sitting on Biffa's steering committee for its WasteAid partnership, where Biffa supports the charity to help less developed countries tackle waste in a sustainable manner.



Roger Edwards

Managing Director,
Municipal

Date of Appointment
October 2010

Roger started his career in the waste industry over 30 years ago with Drinkwater Sabey before becoming a founding member of Verdant Municipal, joining Biffa in 2010 after the acquisition of Greenstar UK. Roger leads Biffa's Municipal division.

He has successfully grown recycling levels across the division and is focused on developing a more sustainable future for waste management including the further development of the Company's alternative fuels strategy. Additionally, he is focused specifically on Biffa's sustainability strategy pillar 'Caring for our People, Supporting our Communities', ensuring that Biffa is supporting its local communities and championing local causes through its Community Shop business.



Jane Pateman

Group HR Director

Date of Appointment
December 2010

Jane joined Biffa in 2010 having worked as HR Director for several FTSE listed companies, providing strategic HR direction and implementing people programmes to support business growth. She has a strong track record of delivering business benefits through the effective deployment of human capital strategies. At Biffa Jane focuses on its people strategy to ensure that Biffa maintains its industry-leading approach to people management and employee wellbeing.

Her responsibilities include employee relations, learning and development, employee engagement, and rewards and benefits. Under Jane's leadership Biffa's Employee Engagement score has doubled since 2011.

Jane is also a non-executive director and Remuneration Committee chair of the legal and professional services business, Knights plc.



David Gooding

Chief Information Officer

Date of Appointment
July 2011

David oversees Biffa's IT, business intelligence and innovation sectors. He has worked in the waste management industry for 18 years, starting at Biffa as its Head of IT Business Systems before spending two years at Greenstar UK prior to its acquisition by Biffa in 2010. Now Chief Information Officer, David is responsible for technology and business model innovation, developing and optimising Biffa's systems, ensuring that the business is operating as efficiently as possible and maximising opportunities for development. As part of this he helps align new projects with Biffa's strategy, such as initiatives supporting the growth of the circular economy.

David sits on the Board of Community Shop. Outside of Biffa, David is also a trustee of Oasis Church Trust in Birmingham, providing accommodation and therapeutic services for adults recovering from drug and alcohol addiction.



Cory Reynolds

Corporate Affairs Director

Date of Appointment
November 2020

Appointed in 2021, as Biffa's first Corporate Affairs Director, Cory is focused on delivering strategic communications to build a positive profile around Biffa's purpose – changing the way people think about waste.

Within Biffa, she is responsible for Biffa's external communications including strategy, media relations and PR, brand, social media, investor relations, and regulatory and public affairs. Cory is also the lead for internal employee communications.

Cory's background is in both public and private sector communications. Before joining Biffa, she was the director of communications, brand and public affairs at Southern Water and prior to this she worked for Brighton & Hove City Council. Cory had experience in the media earlier in her career as a BBC senior journalist and editor, giving her a unique insight into the most effective way to communicate through the media.



OUR GOVERNANCE FRAMEWORK

The Company has a clear corporate governance framework which was established to provide clear lines of accountability and responsibility. The framework comprises the Board reserved matters, the Board and Executive Committees with their Terms of Reference and the Group Delegated Authorities Policy and Matrix to ensure effective decision making at appropriate levels within the Group.

Board of Directors

The role of the Board is to promote the long-term success of the Company, generating value for shareholders and contributing to wider society by providing effective leadership and direction to the business as a whole. It sets the Group's strategy and sustainability strategy, having regard to stakeholders, while maintaining a balanced approach to risk within a framework of effective controls. It has also established the Company's purpose and values and monitors culture to ensure alignment. It sets the tone and approach to corporate governance and is responsible for the overall financial performance of the Group.

Board Committees*

Audit Committee

Reviews the integrity of Biffa's Financial Statements, the adequacy and effectiveness of Biffa's systems of internal control and risk management, and maintains the relationship with the External Auditor.

+ Audit Committee Report pages 100 – 104

Nomination Committee

Reviews Board composition and diversity, proposes new Board appointments and reviews succession planning and talent development.

+ Nomination Committee Report pages 96 – 97

Remuneration Committee

Determines the Directors' Remuneration Policy and sets remuneration for the Chairman, Executive Directors and Group Executive Team taking into account wider Group remuneration policies. Approves performance linked pay schemes and share incentive plans.

+ Remuneration Committee Report pages 105 – 119

Sustainability Committee

Oversees the Company's sustainability strategy and broader stakeholder engagement on behalf of the Board.

+ Sustainability Committee Report pages 98 – 99

Disclosure Committee

Responsible for the identification and disclosure of inside information and comprises the Chief Executive Officer, Chief Financial Officer, General Counsel and Company Secretary, and the Director of Group Finance.

Chief Executive Officer

Group Executive Team

The Group Executive Team is responsible for the day-to-day running of the business. It meets monthly and receives regular reports on financial and business matters, Health & Safety, and has periodic reports on corporate affairs, procurement, internal audit and risk, human resources, IT, and legal, property and insurance.

+ Biographical details of the Group Executive Team are on pages 84 – 85

Investment Committee

An Executive Management Committee comprising the Chief Executive Officer, the Chief Financial Officer, and the General Counsel and Company Secretary. It reviews and approves significant capital expenditure, potential acquisitions and disposals, major contracts and tenders and property transactions within specified authority limits delegated by the Board.

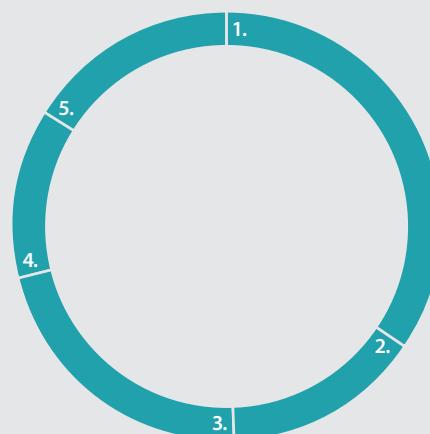
Executive Sustainability Committee

An Executive Management Committee comprising the Chief Executive Officer, Chief Financial Officer, Group HR Director, Director of Corporate Affairs, and General Counsel and Company Secretary. It oversees at a business level the Company's sustainability strategy and broader stakeholder engagement, and reports up to the Sustainability Committee.

SHEQ Excellence Forum

An Executive Management Committee comprising the Chief Executive Officer, Chief Operating Officer Collections, Chief Operating Officer Resources & Energy, Managing Director Municipal, and Group Health & Safety Director. The purpose of the forum is to provide the necessary leadership, direction and support enabling the provision and maintenance of a safe, healthy and responsible Biffa workplace.

How the Board spent its time



1. Strategy	35%
2. People and Culture	15%
3. Finance and Risk	22%
4. Governance, Compliance and Regulatory	13%
5. Business Performance	16%

Make-up of the Board

At the date of this report, the Board consists of seven Directors. Information on their roles and responsibilities can be found on page 88.

Chairman	●
Executive Directors	● ●
Senior Independent Director	●
Non-Executive Directors	● ● ●

EVP Litigation Committee

This is an additional Board Committee which provides an independent review of the EVP dispute proceedings (see Note 33 on page 182 of the Financial Statements). The members are Ken Lever and David Martin (Chair). In addition, the Board approved the appointment of Richard Pike, Carol Chesney and Claire Miles to the Committee on 29 April 2021. The Committee members have no financial interest in the outcome of the dispute.

Division of Responsibilities

Roles and Responsibilities

The Board members have clearly defined roles and responsibilities, as set out in the table opposite. They also have a range of skills, knowledge and experience that is relevant to the successful operation of the Board (see the biographies on pages 82 – 83 and Board Composition and Skills table on page 97).

Independence of the Non-Executive Directors

The Nomination Committee, on behalf of the Board, reviews the independence of the Non-Executive Directors annually and has confirmed to the Board that it considers each of the Non-Executive Directors to be independent in accordance with the Code.

Time Commitment

All Non-Executive Directors are required to devote sufficient time to meet their Board responsibilities and demonstrate commitment to their role. During the year, the Nomination Committee considered, at length, the time commitment of all the Directors and were satisfied that the required time commitment from each of them remains appropriate.

Additional Appointments

All Directors are required to consult with the Chairman and obtain Board approval before taking on any additional appointments. Executive Directors are not permitted to take on more than one non-executive directorship of a FTSE 100 company or other significant appointment. As part of the selection process for any new Board candidates, any significant external time commitments are considered before an appointment is agreed. Further information on the appointment process of new directors can be found on page 94.

Roles and Responsibilities

Role	Name	Responsibility
Chairman	Ken Lever	The Chairman leads the Board and is responsible for its overall effectiveness in directing the Company. He promotes a culture of openness and debate facilitating constructive Board relations and the effective contribution of all Non-Executive Directors, and ensures that the Board receive accurate, timely and clear information.
Chief Executive Officer	Michael Topham	The Chief Executive Officer is responsible for the day-to-day running of the Group's businesses and the development and implementation of strategy, decisions made by the Board and operational management of the Group, supported by the Group Executive Team.
Chief Financial Officer	Richard Pike	The Chief Financial Officer supports the Chief Executive Officer in developing and implementing strategy, oversees the day-to-day financial activities of the Group and ensures that policies and practices set by the Board are adopted at all levels of the Group.
Senior Independent Director	David Martin	The Senior Independent Director (SID) is an independent Non-Executive Director, who provides a sounding board for the Chairman and serves as an intermediary for the other Directors and shareholders where necessary. The SID also leads the annual appraisal and review of the Chairman's performance.
Non-Executive Directors	Michael Averill Claire Miles Carol Chesney	The Non-Executive Directors are responsible for bringing an external perspective, sound judgement and objectivity to the Board's deliberations and decision making, and to support and constructively challenge the Executive Directors using their broad range of experience and expertise.
Company Secretary	Sarah Parsons	The Company Secretary supports the Board to ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently. She advises the Board on governance matters and supports the Chairman and the Chief Executive Officer in the delivery of the corporate governance agenda. All Directors have access to the advice of the Company Secretary.

Supporting Long-Term Sustainable Success

Culture, Values and Purpose

The Board is responsible for setting the Company's purpose and values and ensuring that these are aligned with the Group's culture. Our purpose, 'to change the way people think about waste', sits alongside our vision, 'to lead the way in UK sustainable waste management'.

We pride ourselves on our common-sense approach to sustainable waste management, our collaborative way of working and our ability to get things done. Our culture is underpinned by our values.

Our values (Be safe, Be innovative, Be customer focused, Be a team player and Be accountable) help guide our people in their daily activities and support our behavioural framework. They show that how we do things is just as important as what we do and describe the behaviours we encourage all employees to adopt, to best serve the interests of our broader Biffa team and business, customers, investors and other key stakeholders. We are reviewing our current values with a view to co-creating a new set of values,

with employee perspective, for Biffa with employee representatives, to reflect the development of our business and to align to our culture. The Board will review and approve the new values in FY22.

We work hard to create a culture and an environment that allows everyone to thrive, working together effectively and safely, treating people fairly and with respect, to contribute to the growth of the organisation.

Workforce Policies and Practices

The Board and the Remuneration Committee receive updates from the Group HR Director on our People Strategy and workforce policies and practices. This enables the Board to ensure that they are consistent with the Company's values and supports its long-term sustainable success.

+ Further information on our workforce policies and practices can be found on pages 69 – 71.

How the Board Monitors Culture

The Board plays a vital role in monitoring and assessing both the culture of the Group and its alignment with purpose, values and strategy:

Measuring our Culture

A number of our sustainability KPIs, such as lost time injury rate and employee engagement, allow trends and changes in the culture of the Group to be monitored. The Board receives reports throughout the year on these KPIs.

+ See pages 30 – 31

Leading by Example

The Board, Group Executive Team and senior management act with integrity and lead by example, promoting our culture to our employees.

Employee visibility of the Board and the Group Executive Team is monitored through the work of David Martin, the Non-Executive Director for workforce engagement and through regular two-way engagement with our employees including all-employee calls.

+ See pages 64 – 68

Risk Management

Biffa's risk appetite is approved by the Board and reviewed annually. The Group dedicates significant resources and focus to manage and monitor risks via our Risk and Internal Audit team. The Audit Committee monitors risk management processes and controls on behalf of the Board.

+ See page 103

Aligning Remuneration and Culture

Our annual bonus schemes are directly linked to the annual Group BBP targets. These include the results of the annual employee engagement survey, the Health & Safety improvement targets, as well as behaviours underpinned by our values.

+ See pages 105 – 119

Listening to Our Employees

Employee engagement is measured through the annual survey, which provides valuable insight in respect of engagement and culture. The designated Non-Executive Director for workforce engagement, David Martin, attended a number of events during the year. Key findings are presented to the Board, improvement areas are identified, and action plans developed.

+ See page 66

Whistleblowing

Mechanisms are in place to facilitate employees reporting incidents of wrongdoing on a named or anonymous basis. The Audit Committee, with delegated authority from the Board, regularly monitors and reviews the Company policies, incidents and trends arising from any such incidents and provides the Board with updates.

+ See page 104

Our Board

An Effective Board

The Board had seven scheduled meetings during the year. Directors' attendance at scheduled Board meetings held during the year is set out on the next page.

The Board held regular meetings during the first Covid-19 lockdown to receive updates on trading and other matters. Due to Covid-19 and social distancing requirements being in place for most of the year, all Board and Committee meetings were held virtually using call and video facilities save for the September meetings.

Additional unscheduled Board meetings were held when circumstances required the Board to meet at short notice, such as to approve the Simply Waste and Company Shop Group acquisitions and the equity fundraising. The Board also approved a number of matters during the year by written resolution.

Agendas for each scheduled Board and Committee meeting are prepared in advanced and are aligned with the approved annual Board and Committee programmes. For each scheduled Board meeting there are a number of standing items such as the Chief Executive Officer and Chief Financial Officer Reports. All matters are given due consideration by the Board and are reviewed at the appropriate point in the regulatory and financial cycles. Flexibility is retained in the programmes to include additional items requested by the Board or Committees. Further information on the key activities of the Board can be found on pages 92 – 93. The key activities of the Committees can be found in the Committee Reports.

Directors are provided with papers at least five days in advance of each Board or Committee meeting and meeting packs are provided on a secure Board portal. The Chairman has calls with each of the Non-Executive Directors in advance of each scheduled Board meeting.

Non-Executive Directors are encouraged to communicate directly with senior management between Board meetings. Members of the Group Executive Team are invited to attend at least one Board meeting each year to present an update on their areas of responsibility in addition to presenting at the annual strategy Board meeting. During the year, the Chairman had weekly catch ups with the Chief Executive Officer. He also caught up regularly with the Company Secretary and Chief Financial Officer.

Meetings between the Non-Executive Directors, without the presence of the Executive Directors, are scheduled in the Board's annual programme. During the year, Non-Executive Directors met virtually on one occasion without the Executive Directors. These meetings provide the Non-Executive Directors with a forum in which to share experiences and discuss wider business topics, fostering debate in Board and Committee meetings and strengthening working relationships.

Due to Covid-19, the Board was unable to undertake any site visits this year. However, site visits have been included in the Board programme for 2021/22 and will take place subject to any further restrictions.

Biffa Beat

All the Directors have access to the employee app, Biffa Beat, giving them the ability to view the same information as our employees.

The Biffa Beat app allows employees to access the latest Biffa news, comment on shared stories and photos and has links to employee benefits and other helpful information.

How Governance Supports Strategy

Biffa has a clear strategy for growth and the Board is responsible for delivering value for our shareholders by setting the Group's strategy and overseeing its implementation by the Group Executive Team and management. Further information on our strategy is set out on pages 20 – 21.

The Board carries out an annual strategy review. In FY21 this was done at the November 2020 and January 2021 meetings. At those meetings it received presentations from the Group Executive Team and the Divisional Finance Directors on the strategies for the business and on innovation and business transformation. The Executive Directors also presented the Group Strategy Plan, which was approved by the Board. The Board receives updates on strategy progress at each scheduled Board meeting.

Stakeholder Engagement

Stakeholder engagement is key to the Group's long-term success. The Board directly and indirectly engages with the Group's key stakeholders so that it can understand their interests and them into account, in its decision making. Further information on stakeholder engagement and the Board's s172 statement can be found on pages 09 – 11 and 12 – 13 respectively.

Shareholder Engagement

The Board is committed to maintaining open channels of communication with all shareholders. It is important that shareholders understand the Company strategy and objectives, and for the Company to receive shareholders' feedback and consider the issues and questions raised. To facilitate this, the Company has a comprehensive investor relations programme.

The Chief Financial Officer presents an Investor Relations paper at each scheduled Board meeting. This includes: share price performance monitoring; review of shareholder performance and sector analysis; composition of the shareholder register; peer group comparison; and professional and external adviser feedback.

The Company's website www.biffa.co.uk is the principle medium through which results and other news releases such as acquisitions, contract wins and new strategic initiatives are published, including key financial calendar information, details of live webcasting services for key presentations and the source of past key presentations and announcements.

The Executive Directors meet shareholders and prospective shareholders on a regular basis. The Chairman and Senior Independent Director held meetings with our top 20 shareholders in July 2020. There has also been extensive shareholder engagement in relation to the 2020 AGM resolutions, see page opposite. The Non-Executive Directors are available to meet shareholders when requested.

Shareholders have an opportunity to meet the Directors at our Annual General Meeting. However, there have been restrictions on physical meetings due to Covid-19. Further information on the 2021 AGM can be found on our website. Information on how the Company communicates with its investors can be found in Engaging our Stakeholders pages 09 – 11.

Statement on 2020 Annual General Meeting Resolution Votes Against

At the Company's AGM, held on 16 July 2020, the total votes in favour of a number of resolutions were below 80% as set out in the table below.

Resolution	Description of Resolution	Total Votes in Favour
7*	Re-election of Ken Lever	66.86%
13*	Authority to allot shares	67.11%
14	Pre-emption rights (general authority)	65.10%
15	Pre-emption rights (specific authority)	63.55%

* Resolutions 7 and 13 were passed with the requisite majority.

Following the AGM, the Company has extensively consulted and engaged with its shareholders to better understand and discuss their concerns.

The Company Secretary wrote to the Company's shareholders, who were not supportive of the resolutions, inviting them to attend a call with David Martin, the Company's Senior Independent Director. These took place in August and September 2020 and an update was provided in a statement published by the Company on 28 October 2020.

Feedback was received from the shareholders consulted that the votes against the re-election of the Chairman were influenced by the number of his board commitments and the Board not meeting the gender diversity requirements of a number of institutional investors and proxy advisers. Additionally, the votes against the share authority resolutions were mainly due to the use by the Company of a cashbox placing on a non-pre-emptive basis to raise equity in June 2020.

In January 2021, the Chief Financial Officer and Company Secretary held a number of corporate governance focused calls with major shareholders which included those shareholders who had not been supportive of all resolutions at the AGM. The themes of the consultation covered overboarding, diversity and share authorities in addition to wider corporate governance and sustainability matters. Further clarification was received in relation to the matters of previous concern along with positive feedback more generally on corporate governance and sustainability.

Gender Diversity

At the time of the AGM in July 2020, the Board only had one female member out of seven (a total of 14% female Board representation). Since then, good progress has been made in improving the gender diversity of the Board with the appointment of Claire Miles to the Board with effect from 1 April 2021. This has increased female Board representation to 29%. In addition, the Board published its Diversity and Inclusion Policy in November 2020 which includes an objective of reaching the Hampton-Alexander Review target of one-third female Board representation by its AGM in July 2022.

Overboarding

A number of institutional shareholders and proxy advisers have numerical guidelines for determining whether a non-executive director is considered to be overboarded. The Chairman exceeds these guidelines with his current appointments. At the shareholder meetings, details were provided on how the Chairman allocates time to his different boards and no concerns were raised regarding him allocating insufficient time to Company matters. A number of shareholders confirmed they were content with the explanations given and were therefore prepared to override any numerical overboarding. A number of shareholders expressed concerns regarding the Chairman being able to allocate sufficient time to the Board if there was an event that required him to increase his time commitment.

The Board has discussed these concerns at some length and are of the firm view that the Chairman devotes more than sufficient time to

his Chairman duties and is always available to give issues at hand the time and attention they require, especially during the past year. The Chairman has also confirmed that if an event was to arise which required an additional time commitment he would ensure that he was available.

However, recognising the concerns of some of our shareholders, the Chairman has committed to review his board appointments with a view to complying with numerical overboarding guidelines by the time of the Company's AGM in July 2022.

Pre-emption Rights

In May 2020, the Company used a cashbox placing on a non-pre-emptive basis to raise equity capital. It is understood from the shareholder consultations that the use of this placing was the main factor influencing certain shareholders to vote against the share authority resolutions.

The Board recognises that the principles of pre-emption are important to protect shareholder rights. However, the cashbox placing structure was chosen to minimise cost, time to completion and management distraction during the start of the Covid-19 pandemic in the UK, which was an unprecedented time for the Group. The Company consulted a number of its shareholders prior to the placing and respected the principles of pre-emption as far as possible through the allocation process.

The Board will continue to respect the principles of pre-emption as far as possible in any future equity capital raising.

Board Attendance Table 2020/21¹

Director	Independent	Board meetings attended	Maximum possible meetings
Michael Averill	Yes	7	7
Gab Barbaro ²	Yes	4	4
Carol Chesney	Yes	7	7
Ken Lever	Yes	7	7
David Martin	Yes	7	7
Richard Pike	No	7	7
Michael Topham	No	7	7

- Scheduled Board meetings.
- Resigned on 9 September 2020.

Claire Miles was appointed to the Board on 1 April 2021.

Activities of the Board

The key activities undertaken by the Board during the year are set out below. Further details on the content and structure of the Board meetings and Directors' attendance at the scheduled meetings that took place during the year can be found on page 91.

The Board recognises the value of positive relationships with our key stakeholders and the importance of these relationships when delivering the Group's strategy and in day-to-day business operations. The Board considers the interests of the Group's key stakeholders in its decision making. Further information can be found in the s172 statement on pages 12 – 13.

Strategy

Board Strategy

- Considered and approved the Group Strategic Plan.

+ For more detail, see pages 20 – 21

Protos EfW

- Considered and approved the Protos EfW in Cheshire.

+ For more detail, see page 25

Capital Investment

- Considered and approved an upgrade to the plastics processing capacity at Aldridge.
- Considered and approved a third HDPE line at Washington.

+ For more detail, see page 41

Business Transformation and Innovation

- Received updates on business transformation and innovation and considered priorities in light of Covid-19.

+ For more detail, see page 16

Equity Raise

- Considered and approved a £100m equity raise by way of a cashbox placing.

+ For more detail, see page 32

Acquisitions

- Considered and approved the acquisition of Simply Waste and the Company Shop Group.
- Received regular updates on the M&A pipeline.

+ For more detail, see page 22

People and Culture

Our People

- On the recommendation of the Nomination Committee, approved the appointment of Claire Miles, as a new Non-Executive Director. See page 94.
- Received an update on the Company's wellbeing support during Covid-19 and focus on mental health.

- Received updates from David Martin, the designated Non-Executive Director for workforce engagement and approved the workforce engagement plan for FY22.

+ For more detail, see page 66

Whistleblowing

- Received updates on significant whistleblowing matters and approved an updated Whistleblowing Policy (via the Audit Committee).

+ For more detail, see page 68

Business Performance

CEO Report

- Received regular reports from the CEO on business performance, delivery of strategic priorities and opportunities, the impact of Covid-19 on the business, Health & Safety performance and people.

+ For more detail, see pages 14 – 17

Operational Performance Reviews

- Received operational performance reviews throughout the year.

+ For more detail, see pages 36 – 41

Covid-19

- Received weekly updates on Covid-19 and its impact on the business during the first lockdown and continued to receive updates on Covid-19 and its impact at scheduled Board meetings throughout the year.

+ For more detail, see pages 42 – 45

Key to stakeholder groups

- Employees
- Customers
- Investors
- Suppliers
- Government & Regulators
- Environment & Communities

Finance and Risk

CFO Report



- Received regular reports from the CFO report on financial performance across the Group and a report on investor relations.

+ For more detail, see pages 32 – 35

Budget



- Reviewed the budget for 2020/2021.

+ For more detail, see page 79

Results and

Regulatory Reporting



- On the recommendation of the Audit Committee, reviewed and approved the half and full-year results announcements, Annual Report and Accounts.
- Approved the Company's trading updates in May 2020, July 2020, September 2020, January 2021 and March 2021.
- On the recommendation of the Audit Committee, approved the Going Concern and Viability Statements in the half-year results FY21 and the Annual Report and Accounts FY20.

+ For more detail, see pages 100 – 104

Dividends



- In light of Covid-19, approved a pause in dividend payments.

+ For more detail, see page 32

Risk and Internal Control



- Considered and reviewed the Company's risk appetite. Received updates from the Audit Committee on risk and internal control effectiveness.

+ For more detail, see page 103

Governance, Compliance and Regulatory

Board Evaluation



- Approved an externally facilitated Board evaluation, received a presentation on the results and approved actions for FY22.

+ For more detail, see page 95

Modern Slavery



- Received an update on the progress made and actions for FY21 on modern slavery and approved the Company's 2020 Modern Slavery Statement.

+ For more detail, see page 67

Gender Pay Gap Report



- Reviewed and approved the 2021 Gender Pay Gap Report.

+ For more detail, see page 67

Board Diversity



- Approved a new Board Diversity and Inclusion Policy.

+ For more detail, see page 97

Sustainability



- Approved the creation of a new Board Sustainability Committee.

+ For more detail, see pages 98 – 99

AGM



- Approved the Notice of Meeting for the AGM FY20.
- Approved shareholder consultation plans following the AGM 2020, discussed outcomes and agreed future engagement plans.

+ For more detail, see page 91

Governance



- Received updates on various litigation matters.
- On the recommendation of the EVP Litigation Committee agreed next steps in relation to EVP/Fluff litigation.

+ For more detail, see page 87

Policy Updates



- Reviewed and approved updates to Group policies through the year, including the Power Trading Policy, Share Dealing Policy, Health, Safety and Wellbeing Policy, Quality Policy, Whistleblowing Policy and Environmental, Sustainability and Carbon Policy.

+ For more detail, see pages 69 – 71

Composition, Succession and Evaluation

Conflicts of Interest

Under the Company's Articles of Association, the Board may authorise any actual or potential conflicts of interest and impose limits or conditions as appropriate. The Board has a detailed process for the management of conflicts of interest which is monitored by the Nomination Committee on its behalf. The Directors are required to disclose any conflicts of interest on appointment and then as they arise for consideration by the Board. The Board approves the Conflicts of Interest register annually on the recommendation of the Nomination Committee.

Board Appointments Process

The Board has a formal and transparent procedure for the appointment of new Directors to the Board which it has delegated to the Nomination Committee. This process includes taking into account the annual Board composition review by the Nomination Committee to ensure that any new appointments complement or address any identified gaps in Board skills, knowledge, experience or diversity.

The Nomination Committee ensures that the selection process is rigorous and transparent and, if appropriate, it will appoint a professional external search firm. Candidates from a wide range of backgrounds that meet the role specification will be considered and all appointments will be made entirely on merit, with due regard to the benefits of all aspects of diversity. Details on the Board appointment process for Claire Miles, who was appointed as a Non-Executive Director from 1 April 2021, can be found below.

Directors' Induction

Following appointment, each Director receives an induction on their duties as a director of a UK premium listed company and Biffa's business operations and risk and governance arrangements. The induction programme has been recently reviewed, for the appointment of Claire Miles, with enhancements made. Comprehensive online resources are available on the Board portal. In addition, there is a tailored programme coordinated by the Company Secretary which includes meetings with other Directors, Group Executive Team members and Heads of Group Functions. Various site visits are also included along with the opportunity to join I&C and Municipal collection rounds.

Training and Development

During the year, the Board received a corporate governance update on remuneration matters from FIT, our external Remuneration Advisor, and corporate governance updates from an audit and risk perspective from Deloitte, our External Auditor.

In addition, the Directors undertake their own training and development which has included during the year topical updates from the External Auditor on going concern and accounting estimates, and online briefings including cyber security and fraud.

Site Visits

In order to facilitate greater understanding and awareness of our business and to meet management, visits to key sites are incorporated into the annual Board programme. During these visits, the Directors receive briefing sessions from local management, allowing them to ask questions, learn about the business and spend time with different teams and individuals to observe and experience first-hand how the culture and values are embedded across the Group. Due to the pandemic, the Directors were unable to undertake any sites visits during the year; however, these visits will recommence as soon as restrictions allow.



"I am delighted to join Biffa, an established enabler of the UK circular economy, whose performance throughout the pandemic demonstrates the resiliency of its model as a provider of essential services."

Claire Miles
Non-Executive Director

Appointment of Claire Miles

In September 2020, the Nomination Committee commenced a search for a new Non-Executive Director following the resignation of Gab Barbaro from the Board on 9 September 2020. After a comprehensive appointment process led by the Chairman, Claire Miles was appointed to the Board as Non-Executive Director on 1 April 2021. The process of Claire's appointment is set out below:

1. Candidate Brief

A candidate brief was prepared by the Chairman and agreed by the Nomination Committee which took into account the review of Board composition, diversity, skills and experience by the Committee at its September 2020 meeting. Current experience as a successful executive in a relevant sector, along with experience of digital and IT transformation within a B2B services environment were identified as key skills and attributes. The need for a diverse list of candidates was also emphasised even if this could potentially prolong the appointment process.

2. Search

The Nomination Committee approved the appointment of a professional external search firm, Spencer Stuart, to assist with the search process. Spencer Stuart has no other connections to the Company or any individual director.

Spencer Stuart initially considered 47 candidates that met the brief which was then reduced to a longlist of 23 candidates. Following review by the Chairman, this list was reduced to 12 candidates who were contacted by Spencer Stuart to test interest.

3. Shortlist and Interviews

At the end of 2020, a final shortlist was presented to the Nomination Committee for consideration. Interviews of five shortlisted candidates were conducted by the Chairman in January 2021. Three preferred candidates then went on to second stage interviews with the remaining Board members.

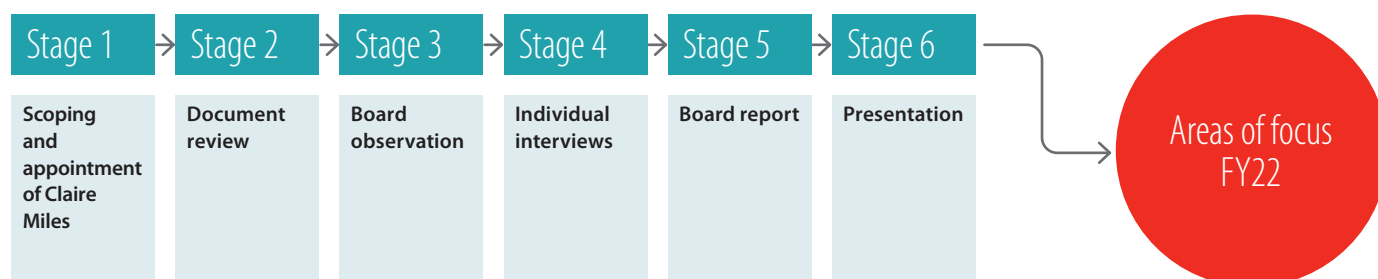
4. Preferred Candidate, References and Offer

Following the interviews, Claire Miles was confirmed by the Directors as the preferred candidate. References were obtained and there was a further meeting with the Chairman following which the Nomination Committee approved making an offer, subject to final Board approval.

5. Appointment

Following the recommendation of the Nomination Committee, the Board approved the appointment of Claire Miles as Non-Executive Director of the Company and a member of the Remuneration Committee with effect from 1 April 2021.

Stages of the External Board Evaluation



The 2021 external Board evaluation review was conducted in accordance with the principles of the Code and the supporting Guidance on Board Effectiveness, and was facilitated by Claire Chalmers and James Littlefair of Claire Chalmers Limited, who have no other connection with the Company or any individual director. This is the Company's first external Board evaluation since its IPO in 2016.

Stage 1

The Board approved the scope of the review and the appointment of Claire Chalmers Limited.

Stage 2

Claire Chalmers was provided with access to sample Board and Committee papers and other governance documents to assist her in assessing the quality of the information that had been provided to the Board and Committees during the year and to help her understand the issues the Board has been dealing with.

Stage 3

Claire Chalmers attended the January 2021 Board meeting to assist with her assessment of the Board's effectiveness. Attendance at the meeting enabled Claire to see the dynamics, challenge and relationships in the boardroom. It also helped her form a picture of how the practical arrangements and meeting dynamics come together.

Stage 4

Interviews were conducted by Claire Chalmers with each Board member and the General Counsel and Company Secretary. These were based on the scoping agenda that was agreed with the Chairman and Company Secretary in advance. A broad range of topics were covered including; leadership, strategy, stakeholders and performance.

Stage 5

A draft report with recommendations, was produced by Claire Chalmers based on her observations at the Board meeting and information compiled from her interviews and review of papers. The report was discussed first with the Chairman and then the Company Secretary.

Stage 6

The report was finalised and presented to the Board by Claire Chalmers at the meeting in March 2021. Claire's recommendations have formed the basis of the Board's areas of focus in FY22.

Board Evaluation Findings

The evaluation review concluded that the Board is a good and effective board. The Board dynamic is a real strength, particularly the culture, tone, openness and transparency. The Non-Executive Directors are hardworking and engaged and have an excellent relationship with the CEO and CFO.

The Board Committees were also reviewed as part of the external evaluation, and overall, were considered to function well.

The Chairman is highly regarded by his colleagues, engaged and takes the time to prepare before meetings and talk through any issues.

In addition to the review of the Board, the Chairman also reviewed the performance of each member of the Board and the Senior Independent Director led the Directors in a review of the performance of the Chairman. It was agreed that each Director continued to contribute effectively.

Areas of Focus in FY22

At the April 2021 Board meeting, the Board approved the following areas of focus for the Board and Committees in 2021/22:

- Increasing the Board's awareness of customers, suppliers, and potential regulatory changes.
- Having more structured post-investment reviews of acquisitions and major capital projects.
- Continuing to improve the quality and timeliness of Board papers to include ensuring thorough s172 compliance.
- Continuing focus on succession, development and talent to maximise potential across the business.
- Greater use of external contributors at Board meetings or as pre-dinner speakers to increase Board knowledge and awareness of relevant business matters.

Update on FY20 Board Evaluation Outcomes

The FY20 Board performance evaluation was internally facilitated by the Chairman and Company Secretary. The areas of focus identified following the review were diversity of the Board, continuing improvements to Board papers and a reduction in the number of Board meetings. Good progress was made in all these areas during the year.

NOMINATION COMMITTEE REPORT



Members

Ken Lever (Chair)

Michael Averill
Carol Chesney
David Martin
Gab Barbaro (until September 2020)

I am pleased to present the Nomination Committee (Committee) Report on behalf of the Board for the year ended 26 March 2021.

As outlined in my statement on page 81, there have been two changes to the composition of the Board during the year. Gab Barbaro stepped down from the Board on 9 September 2020 due to a change in executive role. Following a rigorous selection process conducted by an external search firm, Claire Miles was appointed as a Non-Executive Director to the Board and member of the Remuneration Committee with effect from 1 April 2021. The Committee led the process for Claire's appointment during the year and with this new appointment the Board now has increased gender diversity. Further details can be found on page 94.

During the year, the Committee focused on the Group's diversity and inclusion policies and initiatives, including the creation of a new Board Diversity and Inclusion Policy. Further information on which can be found opposite.

The Committee monitored succession planning at Board and Group Executive level and continued to recognise the importance of developing our people through a diverse talent pipeline. The Committee

received an update on key activities undertaken, including a comprehensive talent review of the Group's senior leadership team. More information can be found in Learning and Development on page 66.

During the year, an externally facilitated evaluation of the Board and its Committees was undertaken in accordance with the Committee's Terms of Reference. Further information can be found on page 95.

Our priority areas for the coming year will be a continued focus on diversity for the Board and the Group, as well as our talent pipeline and succession planning.

Ken Lever

Chair, Nomination Committee
31 May 2021

Membership of the Committee and Attendance

A majority of the members of the Committee are independent Non-Executive Directors. Gab Barbaro stepped down from the Committee on his resignation from the Board on 9 September 2020. The Committee held two scheduled meetings during the year and an additional two meetings to discuss the appointment process of the new Non-Executive Director. Attendance at those meetings is shown opposite.

The Company Secretary attends all the Committee meetings as Secretary to the Committee and, by invitation, they are also attended by the Chief Executive Officer, the Chief Financial Officer and the Group HR Director. Additional attendees are invited at the Committee's request.

Role and Responsibilities of the Committee

The role of the Committee is to lead the process for Board appointments, ensure that plans are in place for orderly succession to both the Board and senior management positions, and oversee the development of a diverse pipeline for succession to ensure that the Group has the best talent to perform effectively now and in the future.

The Committee's responsibilities are set out in its Terms of Reference and include:

- reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and making

recommendations to the Board with regard to any changes;

- succession planning for the Board and senior management;
- leading the process for Board appointments and making recommendations to the Board;
- assessing whether Directors can commit sufficient time to fulfil their responsibilities; and
- taking an active role in setting diversity objectives and strategies for the Company as a whole and monitoring the impact of diversity initiatives.

Meetings held in 2020/21

	Number of meetings attended	Maximum possible meetings
Ken Lever (Chair)	4	4
Michael Averill	4	4
Gab Barbaro ¹	1	1
Carol Chesney	4	4
David Martin	4	4

1. Until his resignation on 9 September 2020.

Activities During the Year

During the year, the Committee's key activities were as follows:

- Led the appointment process for Claire Miles.
- Received a deep-dive session on Diversity and Inclusion for the Group.
- Recommended a Board Diversity and Inclusion Policy for approval by the Board.
- Reviewed the structure, diversity, size and composition of the Board including considering Board succession planning.
- Reviewed succession plan for the Executive Directors and the Group Executive Team.
- Received an update on the talent review of the senior leadership team including an update on the Biffa Advanced Leadership Programme.
- Reviewed Non-Executive Directors' independence and time commitments and Board conflicts of interest.

Board Composition and Succession Planning

The Committee annually reviews the Board composition of the Board, the Director's skills, experience and knowledge, taking into account tenure and diversity. The Committee considers that the current Board membership provides the right mix of skills, knowledge and experience. Information on each of the Director's skills, experience and knowledge is set out opposite.

During the year, the Committee reviewed the succession plans for the Board and the senior management talent pipeline, and considered the objectives set out in the Board's D&I Policy as part of these plans.

The talent pipeline review for senior management included mapping successional candidates and opportunities across senior roles, and identifying key risks in capabilities. The outcome of the review was positive and highlighted strong leadership capabilities and high levels of motivation and engagement across the senior management team.

The Committee takes an active interest in the quality and development of talent and capabilities within Biffa, ensuring that appropriate opportunities are in place to develop high-performing individuals. These opportunities include; the Biffa Advanced Leadership Programme, which is targeted at developing the capability of 16 talented managers who have the potential to reach senior leadership roles, and invitations to meet with the Board during site visits, meetings and Board dinners.

During the year, opportunities for the Board to meet individuals in person were limited due to Covid-19; however, the Board is looking forward to resuming these arrangements during FY22.

Diversity and Inclusion

The Board recognises that having a diverse, highly talented and skilled group of people at all levels within the Group is fundamental to the success of the business. It fully supports the Company's policy on diversity and inclusion, and during the year received a deep dive on the activities that have been undertaken and the progress against its objectives in relation to this. For further details see page 67.

The Board is actively aware of the need for greater gender and ethnic diversity on the Board. During the year, the Committee recommended to the Board a new Board Diversity and Inclusion Policy. This was published in November 2020 and is available on our website. The Policy set out the approach to diversity and inclusion in respect of the Board and, at a high level, in senior management roles within the Group.

The Board keeps the Policy under review to ensure that it remains effective. Our progress against the objectives are set out below.

Policy Objective	Progress
Improves gender diversity at Board and senior management level and supports the recommendations set out in the Hampton-Alexander Review. It has a target of achieving at least one-third women on the Board by the Company's AGM in July 2022.	At the beginning of the year, there was one woman on the Board, which amounted to 14% of the Board. With the resignation of Gab Barbaro and the appointment of Claire Miles, there are two women on the Board which amounts to 29% of the Board. There are currently three women in the Group Executive Team out of a total of nine, which amounts to 33%.
Supports the recommendations of the Parker Review on ethnic diversity and has a target of having at least one person of colour on the Board by December 2024.	The Board remains focused on promoting broader diversity and creating an inclusive culture in line with the recommendation of the Parker Review.

Board Composition and Skills

Board Skills, Knowledge and Experience

	Michael Averill	Carol Chesney	Ken Lever	David Martin	Claire Miles	Richard Pike	Michael Topham
Independence	●	●	●	●	●		
Functional background: Operations	●				●	●	●
Functional background: Finance		●	●	●		●	●
CEO & leadership experience	●		●	●	●	●	●
Waste sector	●					●	●
Logistics/networks				●	●	●	
M&A/restructuring	●	●	●	●	●	●	●
Governance & regulatory	●	●	●	●	●	●	●
International	●	●	●	●		●	
Stakeholder/IR/PR	●	●	●	●	●	●	●
Technology/e-commerce			●		●	●	
Business evolution/strategy development	●	●	●	●	●	●	●
People	●	●	●	●	●	●	●
Sustainability	●		●			●	●

SUSTAINABILITY COMMITTEE REPORT



Members

Ken Lever (Chair)

Michael Averill
Carol Chesney
David Martin

I am pleased to present our first Sustainability Committee (Committee) Report on behalf of the Board, for the year ended 26 March 2021.

At Biffa, sustainability is at the heart of our business as the UK's leading sustainable waste management company. As mentioned in my introduction to the Corporate Governance Report, following the publication of our first sustainability strategy, 'Resourceful, Responsible', in March 2020, consideration was given to how sustainability could be supported within the Company's governance framework. In November 2020, we established a Sustainability Committee at Board level and a further Sustainability Committee at Executive level.

The Committee will oversee on behalf of the Board the delivery of the Company's sustainability strategy. The Committee will also oversee broader stakeholder engagement on behalf of the Board. The Executive Sustainability Committee reports to the Committee on these areas.

The Committee ensures that the Directors give clear focus and support to the Company's sustainability strategy and targets, understand the actions required for the Company to achieve its targets and develop relevant and reliable reporting metrics, in line with the growing body of standards in this area.

In January 2021, we held our inaugural Committee meeting and details of what we considered at that meeting are highlighted in the key activities section on the next page.

Our focus for FY22 will be to continue to monitor the progress of the sustainability targets and the Company's route to achieve net zero emissions by 2050 and, oversee the alignment of our sustainability-linked finance framework. More information can be found on pages 46 – 63.

Ken Lever

Chair, Sustainability Committee
31 May 2021

Membership of the Committee and Attendance

Following its establishment in November 2020, the Committee met once during the year and the attendance at that meeting is shown opposite. The Committee will normally meet three times a year.

The Assistant Company Secretary attends Committee meetings as Secretary to the Committee. The meetings are attended by the Chief Executive Officer, the Chief Financial Officer, the Corporate Affairs Director, the General Counsel and Company Secretary, and the Group Human Resources Director by invitation.

Role and Responsibilities of the Committee

The role of the Committee is to oversee, on behalf of the Board, the Company's sustainability strategy, which focuses on three strategic pillars: building a circular economy; tackling climate change; and caring for our people, supporting our communities. The Committee will also oversee broader stakeholder engagement on behalf of the Board.

The Committee's responsibilities are set out in its Terms of Reference and include:

- reviewing and making recommendations to the Board on the annual Sustainability Report;

- monitoring progress and receiving updates on the targets contained in the sustainability strategy;
- reviewing and approving the annual stakeholder engagement plan;
- monitoring progress and receiving updates on the stakeholder engagement plan;
- reviewing and making recommendations to the Board on the Group's ethical policies and procedures;
- receiving updates on the Company's sustainability ratings and accreditations; and
- receiving updates on sustainability reporting requirements and changes to Government's strategy, policies and laws impacting sustainability.

Meetings held in 2020/21

	Number of meetings attended	Maximum possible meetings
Ken Lever (Chair)	1	1
Michael Averill	1	1
Carol Chesney	1	1
David Martin	1	1

Activities During the Year

During the year, the Committee's key activities were:

- Approved the Terms of Reference.
- Reviewed progress against the sustainability strategy and targets.
- Agreed the approach to be taken for the Sustainability Report.
- Reviewed the annual stakeholder engagement plan.
- Considered the use of a sustainability-linked finance framework.
- Reviewed the Company's sustainability ratings and accreditations.

Progress against our Sustainability Strategy and Targets

At its meeting in January 2021, the Committee reviewed the Company's progress against the sustainability strategy and targets since they were set in March 2020. Further information can be found on pages 48 – 53 and in the Company's Sustainability Report at www.biffa.co.uk/sustainability/sustainability-report-2021.

Sustainability Report

The Committee considered the proposed approach to the Company's first sustainability report. The report is structured around the three strategic pillars and aligns to the key recognised reporting frameworks: the Task Force on Climate-related Financial Disclosures, the Global Reporting Initiative and the Sustainability Accounting Standards Board. It also includes our sustainability performance data, including environmental performance.

Stakeholder Engagement

The Committee considered the Group's main stakeholder groups that are key to the Company's long-term success and who have an interest in the business and may be impacted by the Board's decisions. These were confirmed as:

- Employees
- Customers
- Investors
- Suppliers
- Government and Regulators
- Environment and Communities

+ Further details on these stakeholder groups can be found on pages 09 – 11

The Committee reviewed the Group's annual stakeholder engagement plan for the year. In connection with the Sustainability Report a materiality assessment was conducted during the year, to determine the key topics of interest and priorities for our stakeholders. This was taken into account in the development of the stakeholder engagement plan.

+ For further details on the materiality assessment, see page 08

The Committee is delighted to see how sustainability is being recognised within the business and the progress being made.

Read our Sustainability Report

www.biffa.co.uk/sustainability/sustainability-report-2021



AUDIT COMMITTEE REPORT



Members

Carol Chesney (Chair)

Michael Averill
David Martin

I am pleased to present this year's Audit Committee (Committee) Report on behalf of the Board, for the year ended 26 March 2021. The Report outlines how the Committee discharged its responsibilities over the past year and the key areas it considered in doing so.

During the year, the Committee has continued to monitor the implementation of the business strategy and its impact on the Group's internal controls and risk management framework. Further information on key activities of the Committee during the year are set out opposite.

In addition, the Committee continued to provide financial oversight and stewardship on our financial reporting.

The year presented particular challenges as a result of the impact of the Covid-19 pandemic on the business. In response, the Committee enhanced its review of the Group's profitability, liquidity and financial headroom with respect to a number of forecast scenarios. As part of this work, the Committee also conducted its review of the

Viability Statement and going concern statement, following which it agreed that the going concern basis of accounting continues to be an appropriate basis of preparation for the Financial Statements.

For FY22, the Committee's focus will be on the ever-changing regulatory environment and preparation for the likely impact of the UK Internal Control Statement on the Group.

Carol Chesney

Chair, Audit Committee
31 May 2021

Membership of the Committee and Attendance

All Committee members are independent Non-Executive Directors. The Board is also satisfied that the Committee as a whole has competence relevant to the waste management sector. Carol Chesney and David Martin both hold a professional accounting qualification, and the Board considers their financial experience to be recent and relevant. The Committee held four scheduled meetings during the year and an additional two meetings were held at year-end due to the additional audit focus on viability and going concern due to the pandemic and the Auditor's sign off of the accounts. Attendance at those meetings is shown opposite.

The Company Secretary attends all the Committee meetings as Secretary to the Committee and, by invitation, they are also attended by the Chairman, the Chief Financial Officer, the Chief Executive Officer, Gab Barbaro (Non-Executive Director) up until his departure on 9 September 2020, the External Audit Partner, the Head of Risk and Internal Audit, and the Director of Group Finance. The Committee met with the External Audit Partner and the Head of Risk and Internal Audit without management present after each scheduled meeting.

Role and Responsibilities of the Committee

The role of the Committee is to assist the Board in fulfilling its oversight responsibilities by monitoring and reviewing the integrity of the Group's financial reporting and the effectiveness of the Internal and External Audit functions and risk management framework.

The Committee reports to the Board on its activities and makes recommendations, all of which have been accepted by the Board during the period under review.

The Committee's responsibilities are set out in its Terms of Reference and include:

- monitoring the integrity of the financial statements of the Company;
- reviewing and reporting to the Board on significant financial reporting issues and judgements;
- reviewing the adequacy and effectiveness of the Company's internal controls and risk management system;
- monitoring and reviewing the effectiveness of the Internal Audit function; and
- overseeing the relationship with the External Auditor.

Meetings held in 2020/21

	Number of meetings attended	Maximum possible meetings
Carol Chesney (Chair)	4	4
Michael Averill	4	4
David Martin	4	4

Activities During the Year

Key areas	Activities during the year
Financial Reporting	<ul style="list-style-type: none"> Reviewed the Annual Report and Accounts FY20, including whether they are fair, balanced and understandable, the significant judgements and estimates, going concern statement and Viability Statement. Reviewed the half-year accounts for FY21, including the significant judgements and estimates. Reviewed the External Auditor's report on the full-year and half-year audits. Reviewed the half-year and full-year results announcements and the September and March Pre-Close Trading Statements.
External Audit	<ul style="list-style-type: none"> Reviewed the External Auditor's independence, objectivity and effectiveness. Following an interview process, welcomed a new lead Audit partner. Considered the re-appointment of the External Auditor. Considered External Auditor fees and terms of engagement. Reviewed the Non-Audit Services Policy. Reviewed the External Auditor's non-audit services and fees.
Risk and Internal Controls	<ul style="list-style-type: none"> Monitored the Company's risk register and reviewed risk responsibilities within the Group. Reviewed the effectiveness of the Group's risk management and internal control systems at half year and full year. Reviewed the impact of Covid-19 on the control environment and received regular updates. Considered responses, and their timeliness, to audit findings and recommendations for control improvements, including reviewing the External Audit management letter. Reviewed the risk management and internal control disclosures in the half-year accounts and the Annual Report and Accounts. Received regular updates on the implementation of the key controls framework. Reviewed, and recommended to the Board approval of a revised Whistleblowing Policy. Received updates on material litigation and whistleblowing matters.
Internal Audit	<ul style="list-style-type: none"> Approved the annual Internal Audit plan (and changes during the year to reflect the revised scope due to Covid-19), including its alignment to the principal risks, emerging areas of risk, coverage across the Group and continuing review of the Group's processes and controls. Monitored and reviewed the Internal Audit effectiveness and independence of the Internal Audit function including consideration of key Internal Audit reports; stakeholder feedback on the quality of Internal Audit activity; and the implementation of Internal Audit recommendations. Reviewed the resources of the Internal Audit function. Reviewed Internal Audit reports, including those related to treasury, cyber security, Health & Safety and supplier contract management.
Other Areas	<ul style="list-style-type: none"> Reviewed the results of the evaluation of the effectiveness of the Committee. Received an update on tax matters for the Group and reviewed and recommended to the Board that no changes be made to the Group's annual tax strategy. Received an update on the Defined Benefit Pension Scheme funding position. Received updates on treasury matters. Reviewed the related party transactions and list.

Financial Reporting

One of the Committee's principal responsibilities is to review and report to the Board on the quality and appropriateness of the Group's Financial Statements, including the half-year accounts and Annual Report and Accounts, with a particular focus on:

- the suitability of accounting policies;
- the effectiveness of internal controls;
- the appropriateness of underlying assumptions, judgements and estimates made by management;
- key audit matters identified by the External Auditor;
- compliance with relevant accounting standards and other regulatory financial reporting requirements including the Code; and
- advising the Board, where requested, on whether the Annual Report and Accounts are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

In making its assessment, the Committee reviews reports from members of the Finance team and the External Auditor. Through discussions and detailed written reports, the Committee is able to understand and assess the significant judgements and estimates and how they are being recorded and disclosed in the Group's Financial Statements.

The significant financial judgements and estimates considered in relation to the Annual Report and Accounts FY21 are detailed in the table overleaf.

Audit Committee Report continued

Significant Financial Judgements and Estimates Considered in Relation to the Annual Report and Accounts FY21

Significant financial judgements and estimates considered by the Committee in relation to the Annual Report and Accounts		How these issues were addressed by the Committee
Landfill Accounting	<p>The Committee reviewed the valuation of the landfill provisions and assets, the level of such landfill provision and the extent of the depreciation of such assets, it being noted that the responsibility for a landfill site extends beyond the cessation of land filling operations until the Group has fulfilled its aftercare and restoration obligations which is estimated to be up to 60 years post closure of the site.</p> <p>(See Note 20 on page 174 for further details on landfill provision.)</p>	<p>The Committee considered the Group Landfill Capital and Provisioning Policy, which includes the basis for cost, void space, waste compaction ratio and gas generation estimates, and associated accounting methodology.</p> <p>The Committee determined that with the combination of external third-party reports and guidance, External Auditor testing and the Group's experience to provide for these estimated costs the current landfill accounting treatment and value, and level of provisions were appropriate.</p>
Retirement Benefit Obligations	<p>The Group operates a defined benefit pension scheme known as the Biffa Pension Scheme (BPS) which is closed to new joiners and to future accrual as at 31 October 2013. There are currently active members of the BPS who have protected defined benefit accrual either by virtue of contract location or legislation. The BPS was in a pension surplus of £112.1m as at 26 March 2021.</p> <p>(See Note 28 on page 180 for further details on pension and post-retirement benefits.)</p>	<p>The Committee considered reports from management and the External Auditor in relation to the valuation of the BPS and reviewed the key actuarial assumptions used in calculating the defined benefit pension liabilities, especially in relation to discount rates, inflation rates, salary growth, rate of pension increase and mortality/life expectancy, and concluded that the assumptions used were appropriate and were supported by independent actuarial experts. Details of the key assumptions used are set out on page 180 in Note 28 to the Financial Statements.</p>
Asset Impairment Review	<p>The Group carries different classes of intangible assets on its balance sheet, which include goodwill, landfill gas rights, the Biffa brand, customer contracts and the development costs associated with the Group-wide IT system replacement programme, Project Fusion.</p> <p>The Group's assessment of the carrying value of goodwill and the other intangible assets is dependent on the disaggregation of the operating segments and assumptions of future cash flows, including both short- and long-term growth rates.</p> <p>During the year, an asset impairment review was carried out. There was no impairment to the goodwill. There were some asset impairments made to the carrying value of the Poplars AD plant and Project Fusion.</p> <p>(See Note 3 on page 157 for further details on the asset impairments.)</p>	<p>The Committee reviewed and discussed management's report on the impairment review and considered the External Auditor's testing thereof.</p> <p>After due consideration, the Committee concluded that it was satisfied with management's assumptions and judgements applied in relation to such testing. Details of the key assumptions and judgements used are set out in Note 12 to the Financial Statements.</p>
Onerous Contract Provision	<p>The Group operates a broad portfolio of complex contracts, especially in the Municipal and Resources & Energy businesses. The accounting for certain contracts may be underpinned by assumptions or judgements made by management in respect of the outcome of future events.</p> <p>During the year an uplift in the onerous contract provisions was required and a settlement was reached to terminate the North Somerset Municipal contract.</p> <p>(See Note 3 on page 157 for further details on onerous contracts.)</p>	<p>The Committee reviewed management's judgements and assumptions used to determine onerous contracts and any required provision for future losses. In addition, External Auditor testing was taken into consideration.</p> <p>The Committee concluded that it was satisfied by management's assessment and the approach adopted, including the presentation of these as non-underlying due to the creation of non-recurring provisions.</p>
Classification and Presentation of Adjusting Items	<p>The Group's financial performance is analysed into two components, 'business performance excluding adjusting items' and 'adjusting items'.</p> <p>Business performance excluding adjusting items is used by management to monitor financial performance as it is considered it aids comparability of the reported financial performance year-to-year. To identify 'adjusting items' management utilises a three step process which considers the nature of the event, the financial materiality involved and the particular facts and circumstances, and are presented in a separate column in the Income Statement. The Directors believe that this presentation is relevant to an understanding of the Group's business performance trends, financial performance and position.</p> <p>(See Note 3 on page 157 for further details on adjusting items.)</p>	<p>The Committee reviewed the items considered by management to be 'adjusting' including the value and nature of the items. The Committee concluded that it was satisfied with management's assessment and identification of these items, including the decision to present 'adjusting items' as a separate disclosure on the face of the Income Statement.</p>

Business Combinations	<p>The Group completed three acquisitions in the year. In accordance with IFRS 3 'Business Combinations' management are required to identify the fair value of the net assets and liabilities acquired including acquired intangible assets such as customer lists and goodwill. As all of these acquisitions were completed in the second half of the year, the fair values remain provisional, there will be a re-assessment of this at the end of the measurement period, 12 months post completion date.</p> <p>(See Note 1 on page 143 for further details on business combinations).</p>	<p>The Committee reviewed management's approach to the assessment of provisional fair values and considered the External Auditors testing thereof. It was concluded that the Committee was satisfied with management's assessment at the year end.</p>
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Financial Reporting Council Information Request

In November 2020, the Group received a request for information on the reporting treatment of certain areas from the FRC, following a review of the Group's 2020 Annual Report and Accounts. The request focused on revenue recognition. The Group responded fully and on a timely basis to the FRC, enabling it to close its enquiry in January 2021. As a result of the enquiry, the Group made a number of small disclosure changes in this year's Financial Statements.

Risk Management

The Board has overall responsibility for setting the Group's risk appetite and ensuring that there is an effective risk management framework. The Board delegates responsibility for review of risk management and the effectiveness of internal control to the Committee.

The Chief Executive Officer has overall accountability for the control and management of the risks faced by the Group and, working with the Group Executive Team, has established processes to monitor:

- Strategic plan achievement, through a regular review of progress towards strategic objectives.
- Financial performance, within a comprehensive financial planning and accounting framework, including budgeting and forecasting, financial reporting, analysing variances against plan and taking appropriate management action.
- Capital investment and asset management.
- Performance, with detailed appraisal, authorisation and post-investment reviews.
- That the principal and emerging risks facing the Group are being identified, evaluated and appropriately managed.
- The maintenance of appropriate insurance cover to insure risk areas of the Group.

On behalf of the Board, the Committee has reviewed the work done by management on the assessment of the Company's principal and emerging risks. A comprehensive review of the principal risks was completed in November 2020 for our half-year reporting and this exercise, which included an assessment of emerging risks, was undertaken again in March 2021. The review of the principal risks considers the likelihood of the risks materialising and the potential impact, in terms of both the inherent risks, before any mitigating actions, and the residual risks, after considering mitigating actions and controls. The emerging risks reviewed by management and the Committee

included risks relating to climate change, pandemic and infectious diseases, changes to the workforce demographic and the use of alternative fuels.

Further details of the Group's risk management and internal control systems, principal and emerging risks and statement following the Viability Assessment are included in the Strategic Report on pages 72 – 79.

Internal Control

The Company's system of internal control, including its design and operating effectiveness, is subject to review by the Committee, through reports received from the Company, along with those from both the Internal Audit function and External Auditor.

Where deficiencies have been noted in the design or implementation of controls, either by management, Internal Audit or the External Auditor, the Committee ensures that appropriate action is taken to resolve any weaknesses in the control environment. Any new or changes to key controls will be incorporated into the key control framework and therefore subject to independent review by the Internal Audit function. An example was the lack of landfill site visits undertaken by the Finance team in the current year due to Covid-19. Remote site visits will be implemented if restrictions continue into the future.

Policies and procedures, including clearly defined levels of delegated authority, have been communicated across the Group. We continue to operate a key controls framework across the Group, in respect of operational and financial processes, that requires a quarterly self-certification by management, confirming that key internal controls within their area of responsibility have been operating effectively, and are subject to independent review by the Internal Audit function. During the year, additional control areas have been added to the key control framework, including acquisitions, Health & Safety and environment.

In preparation for the proposed reforms as set out in the BEIS White Paper 'Restoring Trust in Audit and Corporate Governance', the Internal Audit function has initiated an Internal Controls over Financial Reporting Health-check, which will run during the FY22 financial year.

Throughout the Covid-19 pandemic our risk management and internal control processes have continued to be in place. Any changes to key internal controls due to Covid-19 are incorporated within the key controls framework and are subject to quarterly self-certification by management as well as independent review by the Internal Audit function.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and it must be recognised that it can only provide reasonable and not absolute assurance against material misstatement or loss.

The Committee keeps the risk management and internal control systems under review and supports the Board in carrying out an annual review of their effectiveness. This includes consideration of Internal Audit reports and the implementation of Internal Audit recommendations. During the year, the Committee also considered responses by the Biffa leadership team to the twice-yearly compliance questionnaire and management declarations from the Group Executive Team on the effectiveness of key controls and the management of significant risks within their areas of responsibility.

Risk Appetite

The Company's approach to risk appetite has been developed in line with the Code. By clarifying the type and level of risk it is willing to take in order to achieve its strategic objectives, the Company aims to support consistent, risk-informed decision making across the Group.

The Company's risk appetite has been incorporated into the risk management framework and the Committee monitors whether the Group is operating within that appetite through a review of a series of agreed metrics and a review of the principal and emerging risks. The Board reviews the Company's risk appetite on annual basis and this year's review took place in November 2020.

Internal Audit

The Company's Internal Audit function is led by the Head of Risk and Internal Audit. It focuses on performing a programme of reviews of processes and controls implemented across the Group. Internal Audit findings are presented to the relevant management head, the Company Secretary and the Chief Financial Officer for review. The Committee is responsible for agreeing and overseeing the work of the Internal Audit function.

Audit Committee Report continued

The Committee reviews the effectiveness of the Internal Audit function, reviews and approves the scope of the Internal Audit annual plan and assesses the quality of Internal Audit reports, along with management's actions, and their timeliness, relating to findings and the closure of recommended actions. The Committee has also reviewed the resourcing of the Internal Audit function and agreed to the appointment of additional resource in the year.

The Committee also considers any stakeholder feedback on the quality of Internal Audit's work. In order to safeguard the independence of the Internal Audit function, the Head of Risk and Internal Audit is given the opportunity to meet privately with the Committee without any Executive Directors or other members of management present. The Head of Risk and Internal Audit also meets with the Committee Chair ahead of each meeting and otherwise when needed.

During the year, the Internal Audit function has undertaken reviews in accordance with the agreed Internal Audit plan, including those related to treasury, cyber security, Health & Safety and supplier contract management.

External Auditor

Deloitte LLP was appointed as the External Auditor of the Company on 23 August 2016. During the year Makhan Chahal rotated off as the Company's lead Audit Partner and, following a comprehensive interview process, Peter Gallimore was appointed in September 2021.

The Company confirms it is in compliance with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Responsibilities) Order 2014, which relates to the frequency and governance of external audit tenders and the setting of a policy on the provision of non-audit services.

The Company intends to conduct a tender process in line with the regulations and by no later than 2026.

The Committee reviewed the External Auditor's effectiveness during the year. In carrying out its assessment it considered:

- Feedback from the Chief Financial Officer and his team who monitor the External Auditor's performance, behaviour and effectiveness during the exercise of its duties.
- All key External Auditor plans and reports.
- The regular engagement with the External Auditor during Committee meetings and ad hoc meetings, including meetings without any member of management being present.
- The Committee Chair having discussions with the Lead Audit Partner ahead of each Committee meeting.

- The External Audit effectiveness review conducted by the Head of Risk and Internal Audit which was presented to the Committee at the September meeting. This contained the results of an external audit process effectiveness review questionnaire that was completed by the Directors and key members of management and staff who were involved in the external audit process.
- The independence and objectivity of the External Auditor.

Having completed this review, the Committee concluded that the audit process, independence and quality of the External Auditor was satisfactory.

The Committee has made a recommendation to the Board to re-appoint Deloitte LLP as the Company's External Auditor for the 2021/22 financial year. Accordingly, a resolution proposing its re-appointment will be tabled at the July 2021 AGM.

External Auditor's Independence and Non-Audit Services

To preserve objectivity and independence, the Committee has a policy on the provision of non-audit services which restricts the work and fees available to the External Auditor which is reviewed by the Committee annually.

The policy specifies certain activities which the External Auditor may not undertake such as tax, consulting, valuation or corporate services (other than reporting accounting arrangements). Permitted services are set out in a whitelist and the fees are capped at 70% of the average audit fees paid in the last three years.

The policy requires prior Committee approval for any non-audit services work permitted under the policy whose value exceeds £50,000, or where it will cause the cumulative fees for the year to exceed 10% of the amount of the prior year's audit fee, or where the cumulative fees for the year already exceed 70% of the average of the external audit fees paid in the last three years. Prior approval of the Chief Financial Officer is required for any non-audit services work permitted under the policy whose value exceeds £10,000.

Non-audit fees are monitored by the Committee and the Committee is satisfied that all non-audit work undertaken this year was in line with the policy and did not detract from the objectivity and independence of the External Auditor. The External Auditor confirms its independence at least annually.

The fees paid to Deloitte LLP in respect of non-audit services during the year related to the review of interim Financial Statements and governance compliance certificates and totalled £126,600, representing 10.9% of the total audit fee (2020: £91,600 and 10%).

Whistleblowing

The Group has established procedures in place for our workforce to report, in confidence, any concerns they may have. Our employees can raise their concerns through their line manager, senior management or through Safecall, an independent, confidential, whistleblowing helpline.

The Board has overall responsibility for monitoring the Group's whistleblowing arrangements under the Code. It has delegated this to the Committee which updates the Board on a regular basis on all significant whistleblowing matters. The Committee receives a report on whistleblowing cases at each meeting and considers lessons to be learned and how our processes can be updated and improved.

During the year, the Whistleblowing Policy and procedures were updated and enhanced, and the Committee subsequently recommended the changes to the Whistleblowing Policy to the Board, which was approved. The Committee is satisfied that the Whistleblowing Policy and procedures are effective and facilitate the proportionate and independent investigation of reported matters and allow appropriate follow-up action to be taken. Further details on the Group's Whistleblowing Policy and procedures can be found on page 68.

Committee Evaluation

During the year, an externally facilitated evaluation of the Board and its Committees was undertaken. Further information can be found on page 95.

Key actions arising from the FY20 internal review were implemented during the current year and included clarification on the allocation of risk management responsibilities between the Board and the Committee, and continuing to improve the quality and length of the Committee papers.

REMUNERATION COMMITTEE REPORT



Members

Michael Averill (Chair)

David Martin
Carol Chesney
Claire Miles (from 1 April 2021)

I am pleased to introduce the Remuneration Committee Report, on behalf of the Board for the year ended 26 March 2021.

The whole Board is grateful to our shareholders for the continued support received on remuneration matters at the Company's 2020 AGM where our Directors' Remuneration Report was approved by 99% of our shareholders and our updated Directors' Remuneration Policy was met with 97% approval.

As set out earlier, FY21 was an extremely challenging year. We responded swiftly to the pandemic and have emerged strongly in the latter part of the year. Throughout the year, the Remuneration Committee sought to best support our Group Executive Team in taking the steps which we considered most appropriate for our business and to protect and promote the best long-term interests of all our stakeholders, including our shareholders, customers and employees.

The health and wellbeing of our employees has been a prime focus during our response to the pandemic. We put additional financial support in place for those absent from work due to self-isolation, introduced online wellbeing programmes and issued all employees who had been with us through the pandemic with £300 worth of shares via our SIP scheme.

During the year a number of steps were taken to ensure that remuneration at Biffa aligned to the broader experience of our stakeholders:

- The Board of Directors and the Group Executive Team members volunteered a 20% reduction in salary with effect from 1 April 2020 to 30 September 2020 which was the period during which the Group participated in the Government's CJRS.
- Biffa's leadership group, representing a further 84 people, also took a 10% reduction in salary for the same period.
- All pay increases were suspended for the year.
- Bonus entitlements earned in respect of the year to 27 March 2020, which under normal circumstances would have been paid in cash in July 2020, were for the most senior participants satisfied in shares through the Group's employee share plans.
- The Group's annual bonus scheme in respect of 2020/21 was suspended for the year.
- In line with the approach set out in last year's report, we delayed setting EPS targets for the PSP awards made in July 2020 and subsequently confirmed that, as setting suitably stretching robust targets was not possible, the weighting of the TSR element was set at 100%.

Membership of the Committee and Attendance

The Committee comprises independent Non-Executive Directors. The Committee had five scheduled meetings during the year and met two additional times to consider Covid-19 measures. Attendance at those meetings is shown on the page opposite:

The Company Secretary attends all the Committee meetings as Secretary to the Committee and, by invitation, they are also attended by the Chairman, Chief Executive Officer, Chief Financial Officer, Group HR Director and external professional advisers for all or part of any meeting as and when appropriate and necessary.

Role and Responsibilities of the Committee

The role of the Committee is to establish a formal and transparent procedure for developing policy on remuneration in accordance with the Code. It sets the remuneration of the Chairman, the Executive Directors and senior management with due account taken of all relevant factors, such as individual and Group performance and remuneration payable by companies of a comparable size and complexity. In relation to the Executive Directors, it also take accounts of the remuneration policies applying to, the Group's employees.

The Committee reports to the Board on its activities and makes recommendations, all of

which have been accepted under the period of review.

The Committee's responsibilities are set out in its Terms of Reference and include:

- reviewing the ongoing appropriateness and relevance of the Directors' Remuneration Policy;
- having responsibility for setting and authorising all remuneration arrangements;
- ensuring remuneration schemes promote alignment with long-term shareholder interests; and
- reviewing material remuneration-related policies applicable to the workforce.

Meetings held in 2020/21

	Number of meetings attended	Maximum possible meetings
Michael Averill (Chair)	5	5
Carol Chesney	5	5
David Martin	5	5

Remuneration Committee Report continued

Activities During the Year

During the year, the Committee's key activities were:

- Agreed the performance against the targets and the payments for the 2019/20 Executive Director annual bonus awards.
- Reviewed annual bonus payments for 2019/20 for the Group Executive Team, senior managers and employees.
- Determined that the bonus payments to Executive Directors and the Group Executive Team should be made in shares through the Group's employee share plans.
- Considered other remuneration-related measures to mitigate the impact of the Covid-19 outbreak on the business.
- Agreed the suspension of the annual bonus scheme in respect of 2020/21.
- Approved the Directors' Remuneration Report and the Remuneration Policy for the 2020 Annual Report and Accounts.
- Agreed the population, award levels and performance targets for the 2020/21 PSP awards.
- Approved the vesting of the 2017 PSP awards.
- Oversaw the invitation in 2020/21 for the all-employee Sharesave Plan.
- Approved the award of £300 worth of free shares to all employees under the SIP scheme.
- Received an update on Group employee pay and conditions and employee share plans.
- Reviewed and recommended the Gender Pay Gap Report for 2020/21 to the Board for approval.
- Reviewed and agreed an increase to the Executive Director and Group Executive Team base salary levels from 1 April 2021.
- Received an update on the AGM season voting outcomes and market developments from FIT.
- Considered the Investment Association's letter to remuneration committee chairs and the Investment Association's Principles of Remuneration.
- Approved an updated malus and clawback Policy for the incentive plans.

The Report comprises two sections:

- the Directors' Annual Report on Remuneration, which sets out payments and awards made to the Directors for 2020/21 and how the Directors' Remuneration Policy will operate for FY21/22; and
- the Directors' Remuneration Policy, which provides a summary of the Policy for which shareholder approval was obtained at the 2020 AGM and which will continue to apply without amendment for the forthcoming year.

As no changes are proposed to the existing Policy, only one remuneration resolution will be tabled at the 2021 AGM, namely the advisory shareholder vote on the Directors' Annual Report on Remuneration.

Advisers

FIT Remuneration Consultants LLP (FIT), signatories to the Remuneration Consultants Group's Code of Conduct, are the Committee's appointed adviser and have no other connection with the Company or individual directors. FIT provides advice to the Committee on matters relating to executive remuneration and all-employee share awards. During the year, FIT provided no other services to the Company and, accordingly, the Committee was satisfied that the advice provided by FIT was objective and independent. FIT's fees in respect of the 2020/21 financial year were £75,000 plus VAT, charged on the basis of the firm's standard terms of business for advice provided.

The Committee is periodically updated on wider employee matters such as information on our wider workforce pay and conditions, our CEO to employee pay ratio, our gender pay statistics and our diversity initiatives. The Committee has reviewed these elements and is satisfied that the executive remuneration structure remains appropriate.

David Martin, our Senior Independent Director, has Board responsibility for workforce engagement and engages with employees on a range of matters. As part of this employee engagement process there is the opportunity for employees to ask questions and provide feedback on the strategy of the Company, including how this links to remuneration. The Company does use several initiatives to obtain insights from the broader employee population, including the annual engagement survey. Further detail on engagement with employees is given in the 'Caring for our people, supporting our communities' section' which starts on page 65.

The Committee has ensured that the Directors' Remuneration Policy and practices are consistent with the six factors set out in Provision 40 of the Code:

Clarity – Our Directors' Remuneration Policy is well understood by our senior management team and has been clearly articulated to our shareholders and representative bodies (both on an ongoing basis and during consultation when changes are being made).

Simplicity – The Committee is mindful of the need to avoid overly complex remuneration structures which can be misunderstood and deliver unintended outcomes. Therefore, a key objective of the Committee is to ensure that our Directors' Remuneration Policy and practices are straightforward to communicate and operate.

Risk – Our Directors' Remuneration Policy has been designed to ensure that inappropriate risk-taking is discouraged and will not be rewarded via (i) the balanced use of both annual incentives and long-term incentives which employ a blend of financial, non-financial and shareholder return targets, (ii) the significant role played by shares in our incentive plans including the deferral under the annual bonus share and the holding period under the PSP (together with in employment and post cessation shareholding guidelines) and (iii) malus/clawback provisions within all our incentive plans.

Predictability – Our incentive plans are subject to individual caps, with our share plans also subject to market standard dilution limits. Examples of the range of outcomes under the Policy are shown within the scenario charts. The use of shares within our incentive plans means that actual pay outcomes are highly aligned to the experience of our shareholders.

Proportionality – There is a clear link between individual awards, delivery of strategy and our long-term performance. In addition, the significant role played by incentive-based pay, together with the structure of the Executive Directors' service contracts, ensures that poor performance is not rewarded.

Alignment to culture – Our executive pay policies are fully aligned to the Company's culture through the use of metrics in both the annual bonus plan and PSP that measure how we perform against key targets and objectives within the Group Balanced Business Plan.

Pay and Performance

Biffa made good progress in delivering our strategic objectives in the first half of the year and performed ahead of the Group's base case expectations in the second half of the year, in extremely challenging circumstances.

However, the Group's annual bonus scheme in respect of 2020/21 was suspended for the year and therefore there will be no bonus payments to the Executive Directors.

Whilst no financial targets were set because of the suspension of the scheme, provisional personal performance targets were set against a range of strategic targets. Details of the measures and actual performance against these measures, to the extent they are not commercially sensitive, are outlined on page 109.

The July 2018 PSP award is subject to underlying EPS performance to 26 March 2021 and TSR performance. The estimated overall pay-out for the award is 40% of maximum.

The Committee considers that the Directors' Remuneration Policy operated as intended during 2020/21 and that remuneration outcomes are consistent with the Group performance. The Committee determined that no discretion needed to be applied for the above remuneration outcomes.

Remuneration for FY22

Looking forward into FY22, we have given consideration to actions on pay matters which we regard as appropriate and designed to support shareholders' interests over the long term.

The Committee believes that the actions it has taken (i.e. temporary salary reductions and the withdrawal of the 2020/21 annual bonus) together with the anticipated reduced outcomes for the in-flight PSP awards appropriately align with the experience of our shareholders and stakeholders during the Covid-19 pandemic.

However, the Committee believes that this does not recognise the exceptional performance and efforts of our management in guiding the business through the crisis and risks the senior team not being appropriately incentivised as they seek to deliver the benefits from the recent acquisitions of Simply Waste and Company Shop Group. The Committee does not feel that it is appropriate to amend inflight performance conditions, despite some compelling arguments, but it wishes to recognise management's performance whilst maintaining the strong alignment.

In recognition of the performance of the senior management team and also the need to continue to retain them and incentivise the delivery of our key strategic objectives, the 2021 PSP award levels for all participants (c.40) will be enhanced compared to the historic levels.

The current intention is for this to be on a one-off basis although the Committee is mindful that, for the Executive Directors, the proposed award level of 175% of salary (for both the CEO and CFO) is still no more than the median level elsewhere in the FTSE 250 and will, therefore, consider whether this is a more appropriate ongoing grant level as part of the next Policy review.

Similar one-off increases will be applied below Board. Despite the increase in award levels, due to the increase in the Company's share price over the last year, it is anticipated that the 2021 PSP awards will be over a lesser number of shares than the 2020 PSP awards.

Base salaries:	The Executive Directors received a salary increase of 1.75% effective 1 April 2021, in line with those applied to the wider workforce.
Pensions:	Pension provision for current Executive Directors (20% of salary for the CEO and 15% of salary for the CFO) remain unchanged, although will be aligned to those available across the workforce by 1 January 2023.
Annual bonus:	Annual bonus will be reinstated with the potential for the CEO and CFO continuing to be set at 130% and 110% of salary. 70% of the bonus will be based on financial targets with the remainder based on strategic/personal objectives.
Long-term incentives:	As outlined above, the CEO and CFO will receive a PSP award level up to 175% of salary. A two-year holding period applies. Vesting dependent on performance against underlying EPS (50%) and TSR (50%) targets. The Committee has been considering the most appropriate performance targets to be attached to the 2021 PSP awards. The current intention is to continue to use a mix of EPS and TSR measures. Due to the current high level of uncertainty surrounding setting suitably stretching EPS targets, the EPS targets are yet to be finalised and will be confirmed by the Committee in due course and in accordance with guidance from the Investment Association, no later than six months following grant. Full details of the targets will be set out in an RNS announcement issued immediately after the PSP award is granted or subsequently if they are determined later.

As confirmed in our Policy, the Committee has the ability to adjust the formulaic outcomes from performance conditions where appropriate and the Committee will ensure that outcomes reflect Company and executive performance as well as the experience of shareholders and other stakeholders. The Committee will also use its discretion to reduce vesting outcomes where it determines that windfall gains have been received.

Committee Evaluation

During the year, an externally facilitated evaluation of the Board and its Committees was undertaken. Further information can be found on page 95.

We trust that you find this Report to be informative and transparent, and we hope to receive your support for the Directors' Annual Report on Remuneration at our forthcoming AGM.

Michael Averill

Chair, Remuneration Committee
31 May 2021

Directors' Annual Report on Remuneration

2020/21 Remuneration

The following section provides details of how the Directors were paid during the financial year to 26 March 2021.

Single Total Figure Table (audited)

The remuneration for the Executive and Non-Executive Directors who performed qualifying services during the year is detailed below (with prior year comparatives).

Directors		Salary/Fees ¹	Taxable benefits ²	Bonus ³	Long-term incentives ^{4,5}	Pension ⁶	Total Remuneration	Total fixed remuneration ⁷	Total variable remuneration ⁷
Executive Directors									
Michael Topham	2021	£445,500	£9,683	–	£225,977	£99,000	£780,160	£554,183	£225,977
	2020	£495,000	£9,425	£488,264	£399,807	£99,000	£1,491,496	£603,425	£888,071
Richard Pike	2021	£292,500	£18,952	–	£120,214	£48,750	£480,416	£360,202	£120,214
	2020	£325,000	£12,514	£271,258	–	£48,750	£657,522	£386,264	£271,258
Non-Executive Directors									
Michael Averill	2021	£51,300	–	–	–	–	£51,300	£51,300	–
	2020	£57,000	–	–	–	–	£57,000	£57,000	–
Ken Lever	2021	£162,000	–	–	–	–	£162,000	£162,000	–
	2020	£180,000	–	–	–	–	£180,000	£180,000	–
David Martin	2021	£60,300	–	–	–	–	£60,300	£60,300	–
	2020	£67,000	–	–	–	–	£67,000	£67,000	–
Carol Chesney	2021	£51,300	–	–	–	–	£51,300	£51,300	–
	2020	£57,000	–	–	–	–	£57,000	£57,000	–
Gab Barbaro ⁸	2021	£17,180	–	–	–	–	£17,180	£17,180	–
	2020	£50,000	–	–	–	–	£50,000	£50,000	–

- Salary/ Fees were subject to a temporary 20% reduction between 1 April 2020 and 30 September 2020 as part of the introduction of Covid-19 related exceptional remuneration measures.
- Taxable benefits received comprised car allowance, fuel card and private family medical insurance. Alongside other affected employees, Richard Pike received a one-off payment in lieu of the withdrawal of a company fuelcard.
- No bonus is payable for the year.
- The estimated outturn for the 2018 PSP which vests in 2021 is 40% and the vesting share price has been estimated at 247.7 pence, based on the three-month average share price ending 26 March 2021. The grant share prices for the awards were 248 and 251 pence and accordingly the relevant figures are reflective of a decrease of 0.1% and 1.3% in the Company's share price comparing the award prices to the estimated vesting price. No discretion has been applied to the outturn or exercised in respect of share price appreciation. For further information see page 110.
- In July 2020, the Committee confirmed that the 2017 PSP awards would vest as to 100%. The long-term incentive figures in the 2020 comparatives have therefore been updated to reflect this and the actual share price on vesting (201 pence) rather than the three-month average used in the 2020 Annual Report (270.9 pence).
- Pension contributions consist of employer defined contribution benefits plus cash payments in lieu of pension. No Executive Director has an entitlement to a benefit in a defined benefit scheme.
- Total fixed remuneration is the aggregate of the base salary, pensions and benefits elements, and total variable remuneration is the aggregate of the bonus and long-term incentive elements.
- Gab Barbaro stepped down from the Board with effect from 9 September 2020.

The aggregate emoluments (being salary/fees, bonuses, benefits and pension allowances) of all Directors for year ended 26 March 2021 was £1,247,196 (2020: £2,160,210). Aggregate value of vested long-term incentives of all Directors for year ended 26 March 2021 was £346,190 (2020: £399,807).

2020/21 Annual Bonus (audited)

The Committee had intended to operate the 2020/21 annual bonus in line with previous years. However, as disclosed in last year's report the scheme was suspended and was not reintroduced during the year and therefore no bonus payments will be payable.

The annual bonus targets are normally set at the beginning of the financial year. Due to the suspension of the plan no financial targets were set. However, provisional personal performance targets were set against a range of strategic targets. Details of the measures and actual performance against these measures, to the extent they are not commercially sensitive, are shown opposite.

Personal Performance Targets

Measure	Target	Performance
Safety		
Demonstrate further progress in and improvement in safety and environmental performance	5% LTI reduction to 0.21%	Group LTI rate concluded at 0.41
	35% CAR score reduction	CAR scores reduced by 30%
	2% increase Health & Safety EE Index score	Increased by 3% to 81%
Sustainability		
Progress delivery of the Group's sustainability strategy, 'Resourceful, Responsible'	4% CO ₂ emissions reduction	Reduction of over 4% achieved
	Introduction of electric vehicles for I&C small format vehicles	EV introduction limited to a single vehicle due to measures to help ensure ongoing liquidity and maximise cash reserves during the pandemic
	Successful introduction of EV fleet for the Municipal Manchester contract	The EV fleet was delayed due Covid-19 related supply chain issues. The first vehicles were delivered during April 2021 with completion expected July 2021
Manage Impact of Covid-19 Pandemic		
Ensure that the following three priorities are delivered: (i) protecting the health, safety and wellbeing of our people and the communities we serve; (ii) ensuring continuity of our essential services to our customers; and (iii) protecting the financial strength of the Group	Maintain a Covid safe workplace for all	Covid-secure strategic risk assessment in place, comprehensive audits, policies, guidance and training provided plus regular communications
	Deliver continuity and quality of all services required by customers	Re-routing of the collections network completed in order to ensure an efficient response to changing customer requirements as the Covid-19 pandemic evolved
	Implement and deliver efficiency measures to respond to changing demands of customers and the business	Measures taken included the re-routing of trucks, responding to customer requests for service changes, optimising back shifts and optimising the benefits of Government support to protect the business
	Ensure that our employee proposition meets business needs enabling us to do the right thing for our people	At senior levels our leaders shared the burden by temporarily reducing pay for six months whilst the Company provided additional financial support and protection for our lower paid frontline staff. Our commitment to communication increased significantly, ensuring that all colleagues benefited from as much clarity and certainty as could be provided under rapidly changing circumstances. The wellbeing of our colleagues has been supported through our E.N.E.R.G.Y wellbeing programme
	Ensure business has the financing needed to position us for growth and long-term health	Target achieved
Employee Engagement		
Make progress in the delivery of the Group's people strategy, 'Building Pride in Biffa'	Engagement score 3% above UK average	Engagement Score was 59%, target achieved
	Increased % of women in management roles	The proportion of women in management positions increased from 23.9% in April 2020, to 26.0% in March 2021
	Engaging manager index increase	Increased by 8% to 77%
	Improved driver retention	Our driver attrition rate reduced from 18.7% to 15.0%
	20% increase in Biffa Beat usage	Over the course of the year a 16% increase in content views, 38% increase in likes and a 69% increase in comment. The average of the overall engagement across all these metrics has grown 41% – more than double the target set
	D&I index score improvement	Increased by 5% to 75%

Directors' Annual Report on Remuneration continued

Measure	Target	Performance
Strategy Delivery		
Secure relevant stakeholder support and financing for, and progress delivery of, the Group's investment strategy	Committed financing (equity or debt) to fund strategic plans in place	Target achieved
	Protos energy from waste plant to reach financial close	Target achieved
	Seaham phase 2 commissioned on time	Covid-19 pandemic caused delays of 6-8 weeks
	Renwick Road rail hub operational and Q4 volume targets met	Site became operational in May 2021
First Choice for Customers		
Ensure that Biffa's services, brand and reputation remain market-leading	Successful mobilisation of new Municipal contracts	Target achieved
	Food grade rPET supply commitments for 50% of Seaham plant production in place	Target achieved
	Achieve an I&C customer churn rate of <5%	Target achieved

Vesting of Long-Term Incentive Awards (audited)

The PSP awards granted in July and October 2018 are partly subject to EPS performance to the year ended 26 March 2021 and partly based on TSR performance to the date of the preliminary announcement of results for the year. The performance conditions attached to this award and performance against these conditions are as follows: (i) Underlying EPS targets as to 50% of the award, and (ii) relative TSR targets as to the remaining 50% of the award. The details of these targets are shown in the tables below:

Underlying EPS for 2019/20 financial year (50% of award)	Portion of award vesting
Below 21.5p	0%
21.5p	25%
21.5p to 25.5p	Pro-rata on straight-line basis between 25% and 100%
Above 25.5p	100%
Actual performance	7.7p
Vesting level	0%
Biffa's TSR ¹ ranking vs the FTSE 250 (excluding financial services companies and investment trusts) (50% of award)	Portion of award vesting
Below median	0%
Median	25%
Between median and upper quartile	Pro-rata on straight-line basis between 25% and 100%
Upper quartile	100%
Actual performance	To be confirmed at end of performance period
Vesting level (estimated)	80%

1. TSR (calculated based on Biffa plc share price movements, plus dividends reinvested into Biffa plc shares on the relevant ex-dividend dates, over the performance period) is measured over the period from the date of grant to the date of the preliminary announcement of results for the 2020/21 financial year.

Based on the estimated vesting percentage above, details of the shares under award and their estimated value (based on the three-month average share price at 26 March 2021 of 247.7 pence per share) are as follows:

Executive	Maximum number of shares	Number of shares to vest	Number of shares to lapse	Estimated value at vesting £ ¹	Face value of awards vesting ²	Impact of share price on vesting ³
Michael Topham	131,048	52,419	78,629	£129,842	£129,999	£(157)
	97,029	38,811	58,218	£96,135	£97,416	£(1,281)
Richard Pike	121,330	48,532	72,798	£120,214	£121,815	£(1,602)

1. Based on the three-month average share price to 26 March 2021.

2. Based on the number of shares vesting multiplied by the share price at the date of grant (248 and 251 pence).

3. The grant share prices for the awards were 248 and 251 pence and accordingly the relevant figures are reflective of a decrease of 0.1% and 1.3% in the Company's share price comparing the award prices to the estimated vesting price.

The awards also receive the value of dividend equivalents.

EVP Awards (audited)

As described in last year's Directors' Annual Report on Remuneration, prior to the Company's admission to the London Stock Exchange certain Directors were granted EVP Return Letters by WasteHoldco 1 Limited (then the parent Company of the Biffa Group of companies) in connection with a dispute with HMRC regarding the payment of Landfill Tax for certain of its operations in the UK (the EVP Dispute). These EVP Return Letters were granted in recompense for the diminution in value of their interests in the Group resulting from the EVP Dispute which was linked to incentive arrangements in existence prior to admission, full details of which appear below in Note 33, on page 182 of the Financial Statements. As part of the proceedings, the Company was required to pay HMRC approximately £63m shortly following admission (the EVP Paid Amount).

If the EVP Dispute is irrevocably settled in the Company's favour and the EVP Paid Amount is unconditionally returned to the Company (less any amounts which the Group is required to pay in respect of costs incurred by HMRC or penalties or other associated costs of the EVP Dispute together with the EVP Interest payable (see below)) (the EVP Return), the EVP Return Letters shall be settled and these Directors shall be entitled to a cash payment (less tax and national insurance contributions) under the EVP Return Letters as follows:

Director	% of net EVP Return to which they are entitled
Michael Topham	2.129
Michael Averill	0.194

In the event the EVP Dispute is irrevocably settled in favour of HMRC, then subject to the Group receiving a net reduction in the tax liability of the Group (after taking into account any increase in the tax liability arising in respect of any profit and loss account credits in WasteHoldco 1 Limited in respect of the EVP preference shares granted to certain shareholders prior to admission (the Tax Deduction)) the EVP Return Letters shall be cancelled and the Directors shall be entitled to a cash payment equal to a percentage of the Tax Deduction subject to a maximum payment and a payment in respect of EVP Interest (see below) (less tax and social security contributions) as detailed below:

Director	% of tax deduction	maximum tax deduction cash payment	EVP interest payable	total max. payment
Michael Topham	2.366	£236,559	£185,226	£421,785
Michael Averill	0.215	£21,505	£16,839	£38,344

The Company was advised by HMRC in November 2017 that the remaining penalty interest of £8.7m, payable on the EVP Paid Amount, was no longer due (EVP Interest). Once the EVP Dispute has been irrevocably settled, the EVP preference shareholders shall be entitled to receive a proportion of the EVP Interest in line with their shareholding and, the holders of the EVP Return Letters shall be entitled to receive EVP Interest (less tax and social security contributions), as detailed above.

HMRC was successful in its appeal at the Court of Appeal hearing held in March 2021. Biffa has made an application to the Supreme Court to appeal the Court of Appeal decision.

Statement of Directors' Shareholding and Share Interests (audited)

For each Director, the total number of Directors' interests in shares at 26 March 2021 was as follows:

	Michael Topham ¹	Richard Pike ¹	Michael Averill	Ken Lever	David Martin	Carol Chesney	Gab Barbaro ²
Number of ordinary Shares held as at 26 March 2021	1,075,384	461,982	76,340	65,277	30,000	10,000	5,000
Number of ordinary Shares held as at 27 March 2020	805,371	367,401	71,340	52,777	25,000	6,500	–

1. Number of shares held includes 283 shares in respect of the Biffa Share Incentive Plans SIP Award for Michael Topham and 128 shares for Richard Pike.
2. Interests are shown as at date of stepping down from the Board (9 September 2020).

The shareholdings above include those held by Directors and their respective connected persons. There were no changes in the current Directors' interests in shares between 26 March 2021 and 31 May 2021. Under the share ownership guidelines, the Executive Directors are required to build and maintain a shareholding equivalent to at least 200% of salary. At the 2021 year-end, both Michael Topham and Richard Pike complied with this requirement.

PSP Awards Granted in the Year (audited)

The following conditional share awards were granted under the PSP in 2020:

Director	Date of grant	Basis of award (% of salary)	Face value of awards at grant	Number of shares under award ¹	Date of vesting
Michael Topham	01 July 2020	150%	£742,499	368,669	03 Jul 2023
Richard Pike	01 July 2020	125%	£406,250	201,713	03 Jul 2023

1. Based on the three-day average share price of 201.4 pence to 30 June 2020.

Directors' Annual Report on Remuneration continued

As disclosed in last year's report, if it did not prove possible to set a robust EPS range within six months of the grant date, the weighting of the TSR element would be increased to 100%. On 5 November 2020, it was announced it had not been possible to set a range and that these awards would be solely subject to performance relating to relative TSR targets. The details of these targets are shown in the table below:

Biffa's TSR ¹ ranking vs the FTSE 250 (excluding financial services companies and investment trusts) (50% of award)	Portion of award vesting
Below median	0%
Median	25%
Between median and upper quartile	Pro-rata on straight-line basis between 25% and 100%
Upper quartile	100%

1. TSR (calculated based on Biffa plc share price movements, plus dividends reinvested into Biffa plc shares on the relevant ex-dividend dates, over the performance period) is measured over the three-year period from the date of grant.

Deferred Share Plan (DSP) Awards Granted in the Year (audited)

The following conditional share awards were granted under the DSP in 2020 in satisfaction of annual bonus entitlements in respect of the year to 27 March 2020:

Director	Date of grant	Face value of awards at grant	Number of shares under award ¹	Date of vesting
Michael Topham	27 July 2020	£488,263	235,876	17 Aug 2020
Richard Pike	27 July 2020	£271,257	131,042	17 Aug 2020

1. Based on the three-day average share price of 207 pence to 26 July 2020.

Outstanding Share Plan Awards (audited)

Details of all outstanding share awards made to Executive Directors are set out below:

Director	Award type	Exercise price (£)	Grant date	Interest at 27/03/20	Awards granted in the year	Awards lapsed in the year	Awards vested in the year	Interest at 26/03/21	Date of vesting/ Exercise period
Michael Topham	PSP	0	3 Jul 2017	182,995	–	–	198,909	–	1 Jul 2020
	PSP ¹	0	2 Jul 2018	131,048	–	–	–	131,048	1 Jul 2021
	PSP ²	0	1 Oct 2018	97,029	–	–	–	97,029	1 Oct 2021
	PSP ³	0	1 Jul 2019	359,564	–	–	–	359,564	1 Jul 2022
	PSP	0	1 Jul 2020	–	368,669	–	–	368,669	3 Jul 2023
	DSP ⁴	0	27 Jul 2020	–	235,876	–	235,876	–	17 Aug 2020
	SIP ⁵	0	21 Nov 2016	155	–	–	–	155	See Note 5
	SIP ⁶	0	7 Dec 2020	–	128	–	–	128	See Note 6
	SAYE ⁷	1.58	21 Jul 2017	2,278	–	–	2,278	2,278	1 Sep 2020
Richard Pike	SAYE ⁸	1.90	7 Dec 2020	–	1,894	–	–	1,894	1 Feb 2024
	PSP ²	0	1 Oct 2018	121,330	–	–	–	121,330	1 Oct 2021
	PSP ³	0	1 Jul 2019	196,731	–	–	–	196,731	1 Jul 2022
	PSP	0	1 Jul 2020	–	201,713	–	–	201,713	3 Jul 2023
	DSP ⁴	0	27 Jul 2020	–	131,042	–	131,042	–	17 Aug 2020
	SIP ⁶	0	7 Dec 2020	–	128	–	–	128	See Note 6
	SAYE ⁸	1.81	12 Jul 2019	1,988	–	–	–	1,988	1 Oct 2022

- Performance targets for the 2018 PSP awards are presented above.
- Performance targets for the 2019 PSP awards are presented in last year's Directors' Remuneration Report.
- Performance targets for the 2020 PSP awards are detailed above.
- Awards granted under the Company's Deferred Share Plan 2016. The awards were in satisfaction of annual bonus entitlements in respect of the year to 27 March 2020.
- Award of free shares under the Biffa plc SIP 2016. The awards were granted on 21 November 2016 and are subject to the normal terms of an HMRC SIP.
- Award of free shares under the Biffa plc SIP 2016. The awards were granted on 7 December 2020 and are subject to the normal terms of an HMRC SIP.
- Awards granted under the Sharesave Plan. Awards are based on a three-year savings contract. On 1 September 2020, Michael Topham exercised options over 2,278 shares in the Company, pursuant to the maturity of the Company's 2017 Sharesave Plan.
- Awards granted under the Sharesave Plan. Awards are based on a three-year savings contract.

The aggregate gains by all Directors during 2020/21 from share plan awards was £1,142,005 (2019/20: £1,348,689). The market price of the shares at the end of the financial year was 271.5 pence; the highest and lowest share price during the financial year were 274.0 pence and 165.8 pence respectively.

Payments to Past Directors (audited)

There were no payments to past Directors in the financial year 2020/21 (2019/20: nil).

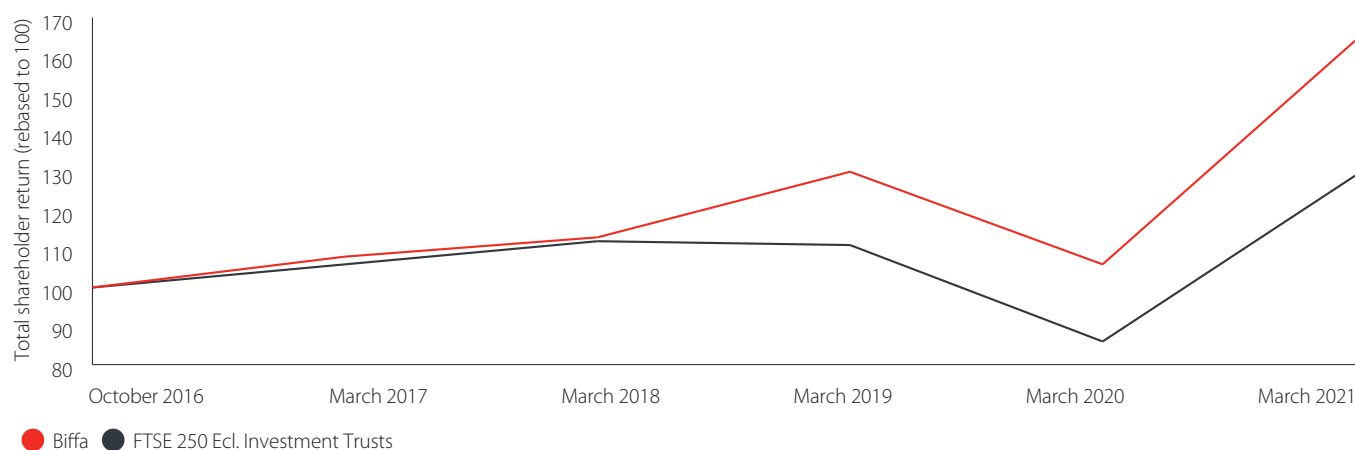
Payments for Loss of Office (audited)

No payments were made to any Director in respect of loss of office in the financial year 2020/21 (2019/20: nil).

Review of Past Performance and CEO Remuneration Table (unaudited)

The graph below shows the TSR of the Company and the FTSE 250 Index (excluding investment trusts) over the period from admission to 26 March 2021. This is considered an appropriate comparator for Biffa and this aligns with the use of the FTSE 250 in the TSR performance measure for the PSP awards.

Biffa TSR vs FTSE 250 Since Admission



(Source: Thomson Reuters)

The table below details certain elements of the CEO's remuneration since admission.

	Single figure of total remuneration	Annual bonus pay-out as % of maximum	Long-term incentive vesting rates as % of maximum
2020/21	£780,160	–	40.0%
2019/20	£1,491,496	75.9%	100.0%
2018/19	£1,819,483	82.4%	72.8%
2017/18	£1,220,437	90.1%	–
2016/17	£10,681,021 ¹	94.5%	–

1. It should be noted that £9,507,310 of the above amount relates to the bonus paid under the Management Incentive Plan which was in place from 2013 until the Company's admission and was therefore 'one-off' in nature.

Directors' Annual Report on Remuneration continued

Annual Change in Remuneration of Each Director Compared to Employees (unaudited)

The table below presents the year-on-year percentage change in remuneration for each Director and all Group employees:

	Salary/fee % change ¹	Annual bonus % change	Taxable benefits % change
Executive Directors			
Michael Topham	-10.0%	-100.0%	2.7%
Richard Pike ²	-10.0%	-100.0%	51.5%
Non-Executive Directors			
Michael Averill	-10.0%	n/a	n/a
Ken Lever	-10.0%	n/a	n/a
David Martin	-10.0%	n/a	n/a
Carol Chesney	-10.0%	n/a	n/a
Gab Barbaro ³	-65.6%	n/a	n/a
All employees ⁴	-0.1%	-50.4%	3.0%

- Salary/ Fees were subject to a temporary 20% reduction between 1 April 2020 and 30 September 2020 as part of the introduction of Covid-19 related exceptional remuneration measures.
- Alongside other affected employees, Richard Pike received a one-off payment in lieu of the withdrawal of a company fuelcard.
- Gab Barbaro stepped down from the Board with effect from 9 September 2020; the salary/fee % change reflects the pro-rated payment up to and including this date.
- All employees refers to all employees of Biffa Group (parent Company).

CEO to Employee Pay Ratio

The table below shows how the CEO's single figure remuneration (as taken from the single figure remuneration table on page 113) compares to the equivalent single figure remuneration for full-time equivalent (FTE) UK employees, ranked at the 25th, 50th and 75th percentile.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020/21	A	38:1	30:1	24:1
2019/20	A	80:1	61:1	49:1

The relevant regulations provide three options which may be used to calculate the pay for the employees at the 25th percentile, median and 75th percentile. We have used Option A, following guidance that this is the preferred approach of some proxy advisers and institutional shareholders. Option A captures all relevant pay and benefits for all employees in line with the single figure for remuneration calculated for Executive Directors.

The ratios shown are representative of the FTE 25th percentile, median and 75th percentile pay for UK employees within the Group during 2020/21. Full-year pay data for the 2020/21 financial year has been used to calculate the ratios. It should be noted that the suspension of the Annual Bonus Scheme in 2020/21, and the temporary reduction in salary for part of the year due to Covid-19 exceptional remuneration measures has significantly affected the CEO to Employee Pay Ratio for 2020/21.

The pay for part-time employees has been grossed-up to one FTE employee.

The Committee has reviewed the employee data and believes the median pay ratio to be consistent with the pay, reward and progression policies for the Company's UK employees over the period.

The Chief Executive Officer's pay is based on the single figure of remuneration set out on page 108 of this report. Because a large portion of the Chief Executive Officer's pay is variable, the pay ratio is heavily dependent on the outcomes of variable pay plans and, in the case of long-term share-based awards, share price movements.

The total pay and benefits and the salary component of total pay and benefits for the employee at each of the 25th percentile, the median and the 75th percentile are shown below:

Year	Salary				Total pay and benefits			
	CEO	25th percentile	Median	75th percentile	CEO	25th percentile	Median	75th percentile
2020/21	£445,500	£19,372	£25,091	£28,689	£780,160	£20,611	£26,150	£32,126

Relative Importance of Spend on Pay (unaudited)

The table below details the change in total employee pay between financial years 2019/20 and 2020/21 as detailed in Note 6 to the Financial Statements, compared with distributions to shareholders by way of dividend, share buy-backs or any other significant distributions or payments. These figures have been calculated in line with those in the audited Financial Statements.

	% change	2020/21 £'000	2019/20 £'000
Total gross employee pay	1.2%	£257.7m	£254.7m
Distributions to shareholders	(100)%	£0m	£18.3m

Statement of Shareholder Voting (unaudited)

The table below shows the advisory vote on the 2019/20 Directors' Annual Remuneration Report and the binding vote on the Directors' Remuneration Policy at the AGM held on 16 July 2020:

AGM resolution	Votes for	%	Votes against	Votes withheld
Remuneration Policy	212,372,302	96.97	6,639,109	8,129,897
Remuneration Report	213,108,702	98.87	2,429,168	11,603,593

Implementation of Policy for 2021/22 (unaudited information)

Base salary

Base salaries will be as follows:

Director	1 April 2021	% increase
Michael Topham	£503,700	1.75%
Richard Pike	£330,700	1.75%

The Executive Directors received a salary increase in line with those applied to the wider workforce.

Benefits in Kind and Pension Provision

Benefits will be paid in line with the Directors' Remuneration Policy.

Pension provision for Michael Topham and for Richard Pike will remain at 20% and 15% of base salary respectively. Contributions may be made as cash supplements in full or in part. These levels will be aligned to the wider workforce from 1 January 2023.

Annual Bonus

The annual bonus will continue to be based on a maximum of 130% of salary for the Chief Executive Officer and 110% of salary for the Chief Financial Officer. 33% of any bonus earned will be deferred into shares for three years to the extent that the Chief Executive Officer and Chief Financial Officer do not satisfy the Share Ownership Guidelines on the bonus payment date.

70% of the bonus will be payable by reference to performance against financial targets (up to 50% will be payable based on a sliding scale of challenging Underlying Profit Before Tax targets and up to 20% will be payable based on a sliding scale of challenging Underlying Free Cash Flow targets). 30% of the bonus will be payable based on performance against a number of strategic/personal objectives relating to the delivery of strategy, health & safety measures and employee engagement.

In addition, no bonus will be payable unless the Committee is satisfied that the Company's underlying performance warrants it and bonus payments will also be subject to the Committee considering that the proposed bonus amounts, calculated by reference to performance against the targets, appropriately reflect the Company's overall performance and shareholders' experience. If the Committee does not believe this to be the case, it may adjust the bonus outturn accordingly.

Due to issues of commercial sensitivity, we do not believe it is in shareholders' interests to disclose any further details of these targets on a prospective basis. However, the Company is committed to adhering to principles of transparency and will, therefore, provide appropriate and relevant levels of disclosure of bonus targets and performance against these targets for the 2021/22 bonus in next year's report.

PSP Awards

As set out in the Chair's Introduction on page 107, a PSP award will be made in 2021 to Michael Topham as Chief Executive Officer and Richard Pike as Chief Financial Officer, of shares worth 175% of salary.

It is currently envisaged that the performance conditions will be a mix of EPS (50% of award) and relative TSR (50% of award). These are measures which encourage the generation of sustainable long-term returns to shareholders. Due to the current high level of uncertainty surrounding setting suitably stretching EPS targets, the appropriate range has yet to be finalised but will be confirmed by the Committee in due course and in accordance with guidance from the Investment Association, no later than six months following grant.

Full details of the targets will be set out in an RNS announcement issued immediately after the PSP award is granted or subsequently if they are determined later.

Biffa's TSR ¹ ranking vs the constituents of the FTSE 250 (excluding financial services companies and investment trusts) (50% of award)	Portion of award vesting
Below median	0%
Median	25%
Between median and upper quartile	Pro-rata on straight-line basis between 25% and 100%
Upper Quartile	100%

1. TSR (calculated based on Biffa plc share price movements, plus dividends reinvested into Biffa plc shares on the relevant ex-dividend dates, over the performance period) is measured over a three-year period from the date of grant.

The 2021 PSP awards will be subject to a two-year post vesting holding period.

Chairman and Non-Executive Director Fees

Ken Lever is entitled to a fee of £200,000 p.a. as Chairman (with no additional fee payable for chairing the Nomination Committee or Sustainability Committee).

The Non-Executive Directors are each entitled to a fee of £55,000 p.a., with an additional fee of £10,000 p.a. for each of the Senior Independent Director, Chairs of the Audit Committee and Remuneration Committee, and £10,000 p.a. to the designated Non-Executive Director for workforce engagement.

The changes to the fees above were effective 1 April 2021, having been postponed from last year, and represent the first adjustments to fee levels since the Company's IPO in 2016.

This Report was reviewed and approved by the Board on 31 May 2021 and signed on its behalf by order of the Board.

Michael Averill

Chair, Remuneration Committee
31 May 2021

Directors' Remuneration Policy

A summary of the main sections our Directors' Remuneration Policy, which was approved by shareholders at the 2020 AGM, is shown below. Certain details have been updated to reflect the implementation of the Policy in 2021/22. The Policy as approved by our shareholders can be found within our 2020 Annual Report and Accounts which are available on our website at www.biffa.co.uk/investors.

Directors' Remuneration Policy Table

Executive Directors

Element and purpose	Base salary The core element of pay, reflecting the individual's position within the Company and experience.
Policy and operation	Base salaries will be reviewed as appropriate, but typically not more than annually. In reviewing base salaries, the Committee will consider the performance of the Company and individual, any changes in responsibilities or scope of the role, as well as pay practices in relevant comparator companies of a broadly similar size and complexity.
Maximum	It is anticipated that any salary increases will generally be in line with those awarded to salaried employees. That said, in certain circumstances (including, but not limited to, changes in role and responsibilities, market levels, individual and Company performance) higher increases may be made. However, no incumbent Executive Director's salary will increase more than an average of 10% p.a. over the duration of the Policy.
Performance measures	n/a
Element and purpose	Benefits in kind To provide market-competitive benefits valued by recipients.
Policy and operation	The Executive Directors may receive benefits in kind including car allowance, fuel allowance, private family medical insurance and such other market competitive benefits as the Committee considers appropriate.
Maximum	Benefits may be provided up to an aggregate value of £50,000 for each Executive Director (or such higher amount as the Remuneration Committee considers appropriate).
Performance measures	n/a
Element and purpose	Pension To provide retirement benefits.
Policy and operation	The Executive Directors will receive a defined contribution provision (or cash supplement).
Maximum	The maximum employer's contribution (or cash supplement) is 20% of salary. Pension contributions for new Executive Director appointments will be aligned with the pension benefits available to the wider workforce. Current contributions are 20% of salary for the Chief Executive Officer and 15% of salary for the Chief Financial Officer. These levels will be aligned to the wider workforce from 1 January 2023.
Performance measures	n/a

Element and purpose	<p>Annual bonus</p> <p>To motivate Executive Directors and incentivise the delivery of business strategy over a one-year operating cycle.</p>
Policy and operation	<p>Annual bonus plan levels and the appropriateness of measures are reviewed annually to ensure that they continue to support our strategy.</p> <p>Once set, performance measures and targets will generally remain unchanged for the year, except to reflect events (e.g. corporate acquisitions, other major transactions) where the Committee considers it to be necessary in its opinion to make appropriate adjustments.</p> <p>The Committee retains the flexibility to pay annual bonus outcomes in cash and/or deferred shares (which may allow for dividend roll-up). For current Executive Directors, one-third of any bonus earned will be deferred into shares for three years to the extent that the Executive Director does not at the bonus payment date already hold sufficient shares to satisfy the share ownership guidelines as may apply from time to time. For new Executive Director appointments, one-third of any bonus will be deferred into shares for three years.</p> <p>Clawback and malus provision apply.</p>
Maximum	<p>The maximum annual bonus opportunity is 130% of base salary.</p> <p>For 2021/22, the maximum opportunity will be 130% of salary for the CEO and 110% of salary for the CFO.</p>
Performance measures	<p>Bonuses will be payable subject to the achievement of performance conditions which will be set by the Committee.</p> <p>The targets may be financial and/or personal and strategic, with the majority based on financial targets. It is anticipated that the financial targets will have a significant profit-based element. Where a sliding scale of targets is used, attaining the threshold level of performance for any measure will not typically produce a pay-out of more than 20% of the maximum portion of overall annual bonus attributable to that measure, with a sliding scale to full pay-out for maximum performance. Bonus payments will also be subject to the Committee considering that the proposed bonus amounts, calculated by reference to performance against the targets, appropriately reflect the Company's overall performance and shareholders' experience. If the Committee does not believe this to be the case, it may adjust the bonus outturn accordingly.</p>
Element and purpose	<p>Performance Share Plan (PSP)</p> <p>To motivate Executive Directors and incentivise the delivery of sustained performance over the long term, and to promote alignment with shareholders' interests.</p>
Policy and operation	<p>Awards under the PSP may be granted as nil/nominal cost options or conditional awards which vest to the extent performance conditions are satisfied over a period normally of at least three years.</p> <p>Awards will vest at the end of the specified vesting period at the discretion of the Committee and for awards granted after 10 July 2019, Executive Directors will be required to retain shares vesting under the PSP (net of tax) until the fifth anniversary of grant.</p> <p>The PSP rules allow that the number of shares subject to vested PSP awards may be increased to reflect the value of dividends that would have been paid in respect of any record dates falling between the grant of awards and the expiry of any vesting period/holding period.</p> <p>Clawback and malus provisions apply.</p>
Maximum	<p>Normal maximum PSP opportunity is of 150% of base salary and an exceptional limit of 250% of salary.</p> <p>For 2021/22, the maximum award levels to the CEO and CFO will be 175% of salary.</p>
Performance measures	<p>The Committee may impose such conditions as it considers appropriate for each grant which must be satisfied before any award will vest. This currently includes EPS and TSR that are normally applied with equal weighting.</p> <p>All awards made to Executive Directors will be subject to performance conditions which measure performance over a period normally no less than three years.</p> <p>No more than 25% of awards vest for attaining the threshold level of performance. The Committee also has a standard power to apply its judgement to adjust the formulaic outcome of all PSP performance measures to take account of any circumstances (including the performance of the Company, any individual or business) should it consider that to be appropriate.</p>

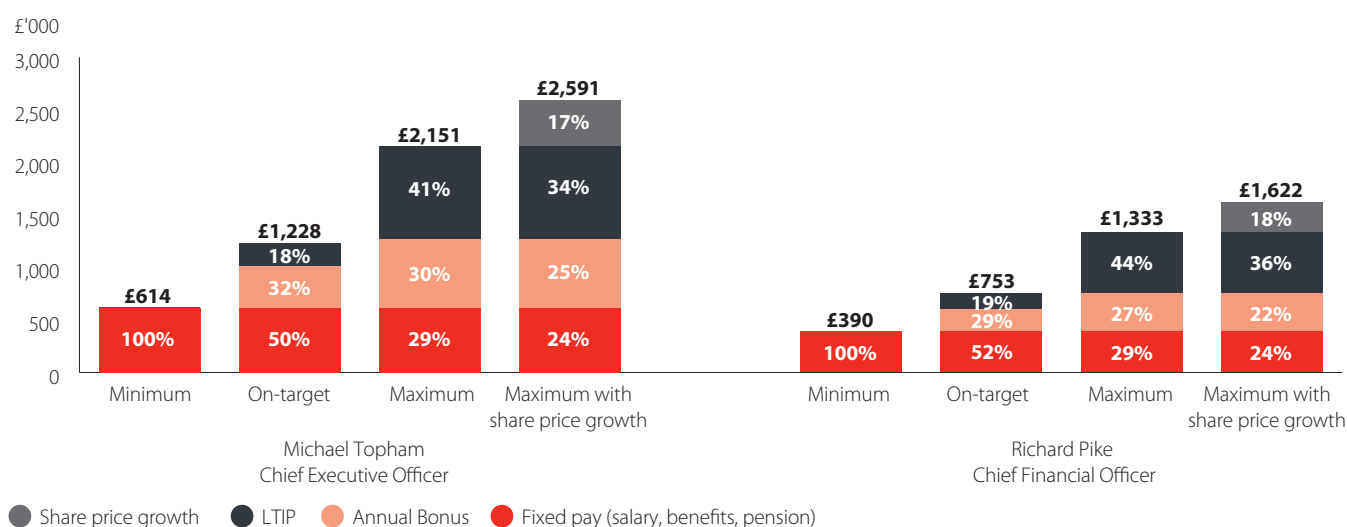
Directors' Remuneration Policy continued

Element and purpose	Share ownership guidelines To promote stewardship and to further align the interests of Executive Directors with those of shareholders.
Policy and operation	<p>The share ownership guidelines encourage Executive Directors to build or maintain (as appropriate) a shareholding in the Company.</p> <p>If any Executive Director does not meet the guidelines, they will be expected to retain up to 50% of the net of tax number of shares vesting under any of the Company's discretionary share incentive arrangements (including any deferred bonus shares) until the guideline is met after which they are expected to retain these levels as a minimum. These restrictions do not apply to shares acquired through purchase.</p> <p>Executive Directors will be required to maintain a shareholding in the Company for a two-year period after stepping down from that position, being 200% of salary or the Executive Directors' actual relevant shareholding at leaving this position if lower.</p> <p>The Executive Directors' actual relevant shareholding will include shares vesting under any of the Company's discretionary share incentive arrangements (including any deferred bonus shares) from awards granted after the date the Policy was adopted but excludes shares acquired through purchase and the release of shares under share incentive plans where the grant occurred prior to the adoption of the Policy.</p>
Maximum	No less than 200% of base salary for any Executive Director.
Performance measures	n/a
Element and purpose	All-employee share plans To facilitate and encourage share ownership by employees, thereby allowing them to share in the long-term success of the Company and align their interests with those of shareholders.
Policy and operation	<p>The Executive Directors will be entitled to participate in all of the Company's employee share plans, including the Share Incentive Plan and Sharesave Plan, on the same terms as other employees.</p> <p>These all-employee share plans are established under HMRC tax-advantaged regimes and follow the usual form for such plans.</p>
Maximum	The maximum participation levels for all-employee share plans will be the limits for such plans set by HMRC from time to time.
Performance measures	Consistent with normal practice, such awards would not be subject to performance conditions.
Chairman and Non-Executive Directors	
Element and purpose	Chairman and Non-Executive Director fees To enable the Company to recruit and retain Company Chairs and Non-Executive Directors of the highest calibre, at the appropriate cost.
Policy and operation	<p>The fees paid to the Chairman and Non-Executive Directors aim to be competitive with other fully listed companies of equivalent size and complexity.</p> <p>The fees payable to the Non-Executive Directors are determined by the Board, with the Chairman's fees determined by the Committee. No Director participates in decisions regarding their own fees.</p> <p>The Chairman and Non-Executive Directors do not participate in any new cash or share incentive plans since Admission.</p> <p>The Chairman and Non-Executive Directors are entitled to benefits relating to travel and office support and such other benefits as may be considered appropriate.</p> <p>The Chairman is paid a single fee for the role, although he will be entitled to an additional fee if he is required to perform any specific and additional services.</p> <p>Non-Executive Directors receive a base fee for the role. Additional fees are paid for acting as Senior Independent Director, Chairs of the Audit, Remuneration or other Board Committee and to the designated Non-Executive Director for workforce engagement to reflect the additional time commitment. They will be entitled to an additional fee if they are required to perform any specific and additional services.</p>
Maximum	<p>Fees are paid monthly in cash.</p> <p>The aggregate fees and any benefits of the Chairman and Non-Executive Directors will not exceed the limit from time to time prescribed within the Company's Articles of Association for such fees (currently £5,000,000 p.a. in aggregate).</p> <p>Any increases in fee levels made will be appropriately disclosed.</p>
Performance measures	n/a

Illustrations of the Application of the Directors' Remuneration Policy

The charts below show how the Directors' Remuneration Policy will be applied for Executive Directors for the 2021/22 financial year using the following assumptions:

Minimum	<ul style="list-style-type: none">■ Consists of base salary, benefits and pension.■ Base salary is the salary to be paid in the 2021/22 financial year.■ Benefits are based on estimated values for the 2021/22 financial year.■ Pension is measured as the defined contribution or cash allowance in lieu of Company contributions of 20% of salary for the Chief Executive Officer and 15% for the Chief Financial Officer.															
	<table><tr><td></td><td>Base salary</td><td>Benefits</td><td>Pension</td><td>Total fixed</td></tr><tr><td>Michael Topham</td><td>£503,700</td><td>£10,000</td><td>£100,740</td><td>£614,440</td></tr><tr><td>Richard Pike</td><td>£330,700</td><td>£10,000</td><td>£49,605</td><td>£390,305</td></tr></table>		Base salary	Benefits	Pension	Total fixed	Michael Topham	£503,700	£10,000	£100,740	£614,440	Richard Pike	£330,700	£10,000	£49,605	£390,305
	Base salary	Benefits	Pension	Total fixed												
Michael Topham	£503,700	£10,000	£100,740	£614,440												
Richard Pike	£330,700	£10,000	£49,605	£390,305												
Target	<p>Based on what the Executive Director would receive if performance was on-target (excluding share price appreciation and dividends):</p> <ul style="list-style-type: none">■ Annual bonus: consists of the on-target bonus (60% of maximum opportunity used for illustrative purposes).■ Long term incentive plan (LTIP): consists of the threshold level of vesting (25% vesting) under the PSP.															
Maximum	<p>Based on the maximum remuneration receivable (excluding share price appreciation and dividends):</p> <ul style="list-style-type: none">■ Annual bonus: consists of maximum bonus of 130% of base salary for the Chief Executive Officer and 110% of base salary for the Chief Financial Officer.■ PSP: consists of the proposed 2021 face value of awards (175% of base salary for the Chief Executive Officer and 175% of base salary for the Chief Financial Officer) under the PSP.															
Maximum with 50% share price growth	<ul style="list-style-type: none">■ As the maximum scenario plus the value resulting from share price growth of 50% from the PSP award.															



Directors' Report

This Directors' Report sets out the information required to be disclosed by the Company in compliance with the Act, the UK Listing Rules and the Financial Conduct Authority's Disclosure and Transparency Rules (DTR). It forms part of the management report as required under the DTR, along with the Strategic Report (pages 1 – 79) and other sections of this Annual Report and Accounts including the Corporate Governance Report (pages 80 – 123) all of which are incorporated by reference, as outlined in the table below.

Information	Reported in	Pages
Acquisitions and disposals	Strategic Report	05
Business model	Strategic Report	18 – 21
Corporate Governance framework	Corporate Governance Report	86 – 87
Community and charitable giving	Strategic Report	68
Customer and Supplier engagement	Strategic Report	8 – 11
Directors' conflicts of interest	Corporate Governance Report	94
Directors' share interests and remuneration	Directors' Report on Remuneration	108 – 115
Director training and development	Corporate Governance Report	94
Diversity, equality and inclusion	Strategic Report	67
Employee engagement	Strategic Report	66
Employees with disabilities	Strategic Report	67
Financial instruments	Financial Statements (Note 18)	168 – 170
Future developments and strategic priorities	Strategic Report	20 – 21
Going concern statement	Strategic Report	79
Greenhouse gas emissions	Strategic Report	63
Principal risks and risk management	Strategic Report	72 – 78
Modern Slavery Statement	Strategic Report	67
Non-Financial Information Statement	Strategic Report	69 – 71
Results	Consolidated Income Statement	138
Risk Management and Internal Control	Corporate Governance Report	103 – 104
Section 172 Statement	Strategic Report	12 – 13
Stakeholder engagement	Strategic Report	8 – 11
Statement of Directors' Responsibilities	Directors' Report	123
Viability statement	Strategic Report	79

Annual General Meeting

The Company's AGM will be held at 11:00am on Monday 19 July 2021 at its offices, Biffa plc, Coronation Road, Cressex, High Wycombe, Bucks, HP12 3TZ. The Notice of the AGM accompanies the Annual Report and Accounts and is available on the Company's website at www.biffa.co.uk/investors.

Articles of Association

The Company's Articles of Association may only be amended by a special resolution at a general meeting of the shareholders and can be found on our website www.biffa.co.uk.

Branches

The Company does not have any branches outside of the UK.

Change of Control

The Group has in place a £350m multi-currency revolving credit facility (RCF) with a syndicate of 10 banks expiring in March 2025, with an extension of one year on 84% of the facility. Under the terms of the RCF, if there is a change of control of the Company then any lender may request that its commitment be cancelled and all other outstanding amounts be repaid to that lender. The Company is not aware of any other significant agreements to which it is party that take effect, alter or terminate upon a change of control of the Company following a takeover bid.

There are no agreements between the Company and the Directors or employees of the Group providing for compensation for loss of office or employment following a takeover bid.

Charitable Donations

During the year, the Company made a charitable donation of £75,000 to WasteAid. Further details can be found on page 68.

Company Registration

Biffa plc is a company incorporated in England and Wales with company number 10336040.

Corporate Governance Arrangements

During the year ended 26 March 2021, we have applied the principles of the Code. Our Compliance Statement for the year is on page 80. Further details on how we have applied the Code can be found in the Corporate Governance section on pages 80 – 123. The Code can be found in the Corporate Governance section of the Financial Reporting Council's website: www.frc.org.uk.

Directors

Details of the Directors who served during the year are set out on pages 82 – 83. Gab Barbaro resigned as a Director of the Company on 9 September 2020 and Claire Miles was appointed as a Director of the Company on 1 April 2021.

The Company's Articles of Association provide that all Directors will stand for re-election every three years but in compliance with the Code all Directors at the AGM will retire and present themselves for re-election to the Board.

The business of the Company is managed by the Board, which may exercise all the powers of the Company subject to its Articles of Association and the Act.

Directors' Indemnities and Insurance

The Company's Articles of Association provide for the Directors and officers of the Company to be appropriately indemnified subject to the provisions of the Companies Act 2006. In addition, the Group maintains liability insurance for its Directors and officers. Neither the Company's indemnity nor insurance covers claims arising from dishonesty or fraud.

Dividend

The Directors are not recommending the payment of a final dividend for FY21. For more information see page 34.

External Auditor

So far as each Director is aware, there is no relevant information of which the Company's External Auditor is unaware. Each Director has taken all steps that ought to have been taken as a Director to make themselves aware of any relevant audit information and to establish that Deloitte LLP are aware of that information.

As detailed on page 104, the Audit Committee recommended, and the Board approved, the proposal that the current External Auditor, Deloitte LLP, be re-appointed as External Auditor of the Company at the AGM. Resolutions to re-appoint Deloitte LLP as the Company's External Auditor until the conclusion of the AGM in 2022 and to authorise the Directors to determine their remuneration will be proposed to shareholders at the AGM.

Political Donations

No political donations have been made during the financial year.

Post Balance Sheet Events

We've made two acquisitions since the financial year end. See Note 37 of the financial statements page 184.

Powers for the Company issuing or Buying Back its Shares

At the 2020 AGM the Company did not receive the requisite votes to pass the relevant resolutions to make market purchases of its own shares. No shares were allotted or purchased under these authorities during the year.

Share Capital

The Company's issued share capital as at the date of this Report is composed of a single class of 305,607,494 ordinary shares of 1 pence each: each share carries the right to one vote at general meetings of the Company.

On 12 June 2020 the Company issued 49,999,999 ordinary shares of 1 pence each in the Company following a £100m equity raise. See page 32.

On 23 June 2020, the Company issued a further 3,000,001 ordinary shares of 1 pence each in the Company to the Trustee of the Company's employee benefit trust to allow it to satisfy the vesting of awards under the Company's Biffa Deferred Share Plan 2016, Biffa Sharesave Plan 2016 and/or Biffa Performance Share Plan 2016.

In addition, the Company issued and allotted 2,599,408 ordinary shares in the Company under the terms of the Biffa Sharesave Plan 2016 at a price of 158 pence. Details of the Company's issued share capital during the year, are shown in Note 23 on page 174.

The Company may vary the rights attaching to its shares by special resolution, subject to the Articles of Association and applicable laws and regulations.

The Articles of Association contain provisions governing the ownership and transfer of shares. There are no restrictions on the transfer of shares beyond those required by applicable law under the Articles of Association or insider trading laws. In accordance the Company's share dealing policy, the Directors and certain employees are required to seek prior approval of the Company before dealing in its shares.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of shares and/or voting rights.

On 31 May 2021, the Biffa plc Share Incentive Plan 2016 held 1,328,097 shares and the Biffa PSP plan held 1,867,581 shares in the Employee Benefit Trust. The right to receive any dividend has been waived by the Trustee of the EBT over the entire holding of the trust and by Wealth Nominees Limited in respect of all Biffa plc shares in their custodian account.

Employees who participate in the PSP and SIP and whose shares remain in the Plan's trust give directions to the Trustee to vote on their behalf by way of a Form of Direction.

Directors' Report continued

Substantial Shareholdings

The table below shows the holdings in the Company's ordinary shares that had been notified to the Company under the Disclosure and Transparency Rules (DTR 5). The information below was correct at the date of notification. It should be noted that these holdings may have changed since the Company was notified. However, notification of any change is not required until an applicable threshold is crossed.

Shareholder	As at 26 March 2021			As at 31 May 2021		
	Direct/Indirect	Number of shares held	Holding of issued share capital %	Direct/Indirect	Number of shares held	Holding of issued share capital %
Avenue Europe International Management, L.P	Direct and Indirect	38,977,246 ¹	12.755	Direct and Indirect	36,602,479 ¹	11.977
Global Alpha Capital Management	Indirect	32,343,988	10.58	Indirect	32,487,988	10.63
Lansdowne Partners	Indirect	20,108,908	6.58	Indirect	20,255,929	6.63
Legal & General Investment Management	Indirect	14,533,654	4.76	Indirect	14,423,004	4.72
Blackrock, Inc	Indirect	11,521,939	3.77	Indirect	12,166,383	3.98
Flat Footed	Indirect	9,773,496	3.20	Indirect	9,949,131	3.26

1. Includes 18,347,661 voting rights held by CfD.

On behalf of the Board.

Sarah Parsons

Company Secretary Biffa plc
31 May 2021

Registered in England and Wales No. 10336040

Statement of Directors' Responsibilities

Statement of Directors' Responsibilities in Respect of the Annual Report and Accounts

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Group and Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law, the Directors are required to prepare the Group Financial Statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The Financial Statements also comply with the IFRSs as issued by the IASB.

Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of their profit or loss for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- in respect of Group Financial Statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- in respect of the Company Financial Statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in those statements; and
- prepare the Financial Statements 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

Statement of Directors' Responsibility under the Disclosure and Transparency Rules

Each of the Directors, as at the date of this Report, confirms to the best of their knowledge that:

- The Financial Statements, 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 Group and the Company.
- The Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that they face.
- The Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

This statement was approved by the Board and authorised for issue on 31 May 2021.

Ken Lever
Chairman
31 May 2021

Independent Auditor's Report to the members of Biffa plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Biffa plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 26 March 2021 and of the group's loss for the 52 week period then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of other comprehensive income;
- the consolidated and parent company financial positions;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows;
- the accounting policies; and
- the related notes 1 to 37 for the consolidated financial statements and notes 1 to 9 of the parent company financial statements.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB and adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).





2. 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 the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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. The non-audit services provided to the group and parent company for the year are disclosed in note 7 to the financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> ▪ Landfill Accounting ▪ Retirement Benefit Obligations ▪ Asset Impairment Indicators ▪ Onerous Contract Provisions ▪ Classification and Presentation of Adjusting Items ▪ Identification of Specified Intangibles as a Result of Business Combinations <p>Within this report, key audit matters are identified as follows:</p> <ul style="list-style-type: none">  Newly identified  Increased level of risk  Similar level of risk  Decreased level of risk
Materiality	<p>The materiality that we used for the group financial statements was £3.8 million which was determined on the basis of revenue and EBITDA excluding adjusting items. This equates to 0.4% of Group revenue and 2.7% of EBITDA excluding adjusting items.</p>
Scoping	<p>We performed full scope audits on 15 legal entities and specified audit procedures on 1 legal entity located in the United Kingdom and Gibraltar. These entities account for 97% of the Group's revenue, and 96% of net assets.</p>
Significant changes in our approach	<p>In the prior year, materiality was determined with reference to Group revenue, EBITDA excluding adjusting items and profit before tax excluding adjusting items. In the current year, we did not include profit before tax in the basis for our materiality determination as the movement is volatile year on year.</p> <p>We have included classification and presentation of adjusting items as a new key audit matter for the current year. Like other large complex groups, Biffa provides a number of alternative performance measures as part of its presentation and assessment of Group results. During the year there are a number of items this year which would meet management's consideration criteria for treatment as adjusting items.</p> <p>We have also included the identification of specified intangibles as a new key audit matter for the current year given the amount of consideration that has been allocated to goodwill in relation to the Company Shop Group (CSG) and Simply Waste business combinations.</p> <p>We no longer consider going concern to be a key audit matter following the recovery in the Group's financial performance and new issued share capital during the period.</p> <p>The capitalisation and classification of costs associated with Project Fusion is no longer reported as a key audit matter this year. Due to implementation challenges and further delays caused by Covid-19, management impaired the vast majority of this intangible's carrying amount, thereby reducing the risk of material misstatement in the capitalisation and classification of this project.</p>

Independent Auditor's Report to the members of Biffa plc continued

4. 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 the following procedures:

- held discussions with management to understand the process that the Group will follow in respect of its going concern assessment;
- benchmarked the Group's forecasts against external sources with focus on the waste industry as well as the UK economy as a whole;
- performed an analysis on the Group's results against budget to assess historical accuracy;
- assessed the level of headroom available to the group from its loan facilities and evaluated the risk of breaching covenants;
- challenged management's analysis to assess whether it reflects a reasonable worst case scenario and perform sensitivity analysis on key variables;
- obtained evidence to verify the additional external funding facilities accessible to the Group;
- obtained and performed analysis on post year end results and benchmarked this against management's forecasts; and
- reviewed the disclosure in Note 1 of the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing 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 and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the group has 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.


5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Landfill accounting

Key audit matter description	<p>As at 26 March 2021 the Group holds a landfill restoration and aftercare provision of £71.0 million (27 March 2020: £56.6 million).</p> <p>The Group operates a number of landfill sites in the UK. A significant cost of owning and operating a landfill site in the UK arises after the land filling operation ceases due to the constructive and legal obligation to restore sites and then to care for them until it can be demonstrated that they present no ongoing risk to the environment. The liabilities extend until the waste is considered to be inert, which is generally assumed to be up to 60 years following closure of the site. The Group makes the provision, within the financial statements, for such long-term obligations through its provisions for restoration. The level of costs expected are uncertain and can vary significantly from site to site. Biffa uses internal and external experts to help determine the total expenditure required to remediate sites.</p> <p>As these provisions arise in connection with an asset, under IAS 16 "Property, Plant and Equipment" the costs are capitalised and depreciated over the remaining life of the associated asset.</p> <p>The key audit matter arises from a number of estimation uncertainties which exist in relation to the level of the provision and depreciation required. These include the appropriateness of the total cost and void data as well as the accuracy of the underlying calculations with the key variables being gross cost assumptions, void assumptions and the discount rate applied to the cashflow forecasts.</p> <p>As part of our assessment of risk of material misstatements due to fraud, we evaluated which of the judgements and assumptions in landfill provision might give rise to potential fraud risks. We have focused our audit procedures to detect the inflation of performance through the manipulation of the provision.</p> <p>The associated disclosure is included in Note 20. The Audit Committee has included their assessment of this risk on page 102 and is included within the key sources of estimation uncertainty in Note 1. For specifics of the Group's accounting policy please see page 150.</p>
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How the scope of our audit responded to the key audit matter	<p>Our audit response focused on assessing and challenging the underlying data and key assumptions used by management in calculating the restoration and aftercare provisions.</p> <p>As part of the audit we obtained and inspected management's experts' reports for consistency with publicly available information and their reflection in the forecasts prepared. We have also assessed the competence, objectivity and capability of the experts.</p> <p>We performed procedures to test relevant controls in place over the completeness and accuracy of the data inputs used by management and also tested relevant review controls on the assumptions used to determine the valuation of the underlying accounting for the landfill provisions.</p> <p>We assessed and challenged the assumptions and judgements in management's calculations with reference to market and historical data, this included discount rates applied in the forecast cash flows. We independently calculated an appropriate discount rate range and used this to benchmark management's rate. We performed a sensitivity analysis of the environmental provision utilising our independently calculated range. We also tested the mathematical accuracy of the calculations prepared including the reversal and utilisation of provisions in the current period.</p> <p>Furthermore we performed an assessment of the reasonableness of the forecast earnings, that underpin the cash flows used in the calculation of the provision, for a sample of sites with comparison to historical financial information and agreement to budget. We tested landfill related provisions through analytical procedures and re-performed the arithmetical accuracy of the cost of the provision.</p>
Key observations	Based on the work performed as outlined above we conclude the assumptions to be appropriate and concur with management that the level of landfill provision is adequate.
5.2. Retirement benefit obligations 	
Key audit matter description	<p>The Group operates several defined benefit pension schemes which are accounted for under IAS 19 ("Employment Benefits"). At 26 March 2021, the Group has recognised a net defined benefit surplus arising from the defined benefit schemes of £112.1 million (27 March 2020: £124.7 million). Included within this figure is a gross defined benefit obligation of £525.8 million (27 March 2020: £485.9 million).</p> <p>Pension accounting is a specialist area requiring the exercise of significant management judgement and the use of technical expertise to determine the surplus or deficit of the scheme in accordance with generally accepted actuarial practices. We have identified a key audit matter specifically in relation to the assumption used in valuing the defined benefit pension liabilities including the use of assumptions on the discount rate, mortality assumption, inflation level, pension increase, yield curves and measures of longevity. The setting of these assumptions is complex and changes to the assumptions can have a material impact on the value of pension assets and the retirement benefit liability.</p> <p>Furthermore, in the current year with the recent requirements for all companies to comply with Guaranteed Minimum Pensions ("GMP") equalisation, we specifically looked at the costs associated with meeting these requirements.</p> <p>The associated disclosure is included in Note 28. The Audit Committee has included their assessment of this risk on page 102 and is included within the key sources of estimation uncertainty in Note 1. For specifics of the Group's accounting policy please see page 150.</p>
How the scope of our audit responded to the key audit matter	<p>We performed walk through procedures to obtain an understanding of relevant controls in place over the accounting of retirement benefit obligation.</p> <p>We have tested the significant judgements and estimates made by Biffa plc third party actuaries engaged by management, and assessed their competence, capability and objectivity to perform valuations of the relevant schemes. We also involved our internal actuarial specialists to assess the key assumptions applied in determining the pension obligation for the schemes and determine whether the key assumptions are reasonable. The assessment included reviewing and challenging available yield curves, discount rate, inflation, mortality data and the impact of the recent guaranteed minimum pension ruling, to recalculate a reasonable benchmark for the key assumptions. We challenged management to understand the sensitivity of changes in key assumptions and quantified the impact of illustrative benchmark rates that could be used in their calculations.</p> <p>We also tested a sample of the data used in the actuarial valuation, as well as assessing the basis on which pension surpluses were recognised. The latter involved agreeing related terms to the deeds of the relevant Group pension scheme.</p>
Key observations	Based on the work performed as outlined above, we are satisfied that the methodologies adopted are appropriate. The key assumptions applied in relation to determining the pension valuation, when taken in aggregate, fall within an acceptable range and the pension liability balance is appropriate.

Independent Auditor's Report to the members of Biffa plc continued

5.3. Asset impairment indicators

Key audit matter description	<p>As at 26 March 2021 the Group held non-current assets of £1,162.5 million (27 March 2020: £1,052.9 million) which could be at risk of impairment. Management is required to assess the carrying value of these assets and perform a full impairment review in accordance with the requirements of IAS 36 'Impairment of Assets' on an annual basis, or more frequently if an indicator of impairment exists. During 2021, management identified an indicator of impairment for Poplars anaerobic digestion plant cash generating unit (Poplars AD CGU) and following an impairment test, recorded an impairment charge of £8.2 million. No impairment charge was recorded by management as a result of the Landfill Gas Cash Generating Unit (LFG CGU) impairment test.</p> <p>We identified a key audit matter in relation Poplars AD CGU and LFG CGU within the Resources & Energy division based on their low level of headroom and high sensitivity to key inputs.</p> <p>The recoverable amounts used in management's impairment assessment have been calculated on a Value in Use basis ("VIU") for the Poplars AD and LFG CGUs. We have identified a key audit matter specifically in relation to the key areas of estimation uncertainty used in the forecasts. These include the discount rate, long term growth rates, forecast tonnage, energy prices, gate fees and gas curve projections. Biffa uses experts to help determine the inputs of the impairment models.</p> <p>The associated disclosures are included in Note 12 and 13. The Audit Committee has included their assessment of this risk on page 102 and is included within the key sources of estimation uncertainty in Note 1. For specifics of the Group's accounting policy please see page 151.</p>
How the scope of our audit responded to the key audit matter	<p>We held discussions with management to understand the process that the Group followed in its asset impairment assessment. Following these discussions, we obtained an understanding of relevant controls that management operates over the process.</p> <p>We reviewed the forecast reports provided by management's experts for consistency with other third party experts, publicly available information and the reflection in the cashflow forecasts. We have assessed the competence, objectivity, and capability of the external experts used.</p> <p>We evaluated the accuracy of future cash flow forecasts that underpin the cash flows used in the assessment with reference to recent performance and trend analysis. We also assessed the historical forecasting accuracy of management's forecasts against actual outturn.</p> <p>We evaluated management's assumptions made over the overheads allocated to the CGUs, and the eventual decline over time of the overheads as various trading elements of the CGUs cease, through comparison against previous forecasts and our understanding of the nature of the continuing business.</p> <p>We further challenged management's sensitivity analysis and performed our own sensitivity analysis on key variables. Having ascertained the extent of change in those assumptions that either were individually or collectively would be required for the tangible and intangible assets to be impaired, we considered the likelihood of such movement in those key assumptions arising.</p> <p>We involved our internal valuation specialists to determine an acceptable range of discount rates utilising market comparable information and compared the rate calculated by management. We challenged management in the long range growth rates through comparison to those used by comparable competitors. We also tested the mathematical accuracy of the calculation as performed.</p> <p>We validated the integrity of management's impairment model through testing the mechanical accuracy and verifying the application of the input assumptions. We also evaluated the process management undertook to prepare the cash flow forecasts and assessed their consistency with the latest Board approved plans and management approved forecasts.</p> <p>We considered reasonable possible changes in assumptions to challenge the appropriateness of management's assessment of reasonable possible change disclosures in light of the estimation uncertainty surrounding the LFG CGU and Poplars AD CGU. Our challenge was informed by input from certain of our internal valuation specialists, utilising their knowledge and expertise.</p>
Key observations	<p>We conclude that the assumptions applied in the impairment models, when taken in aggregate, are within our acceptable range. We are satisfied that the impairment assessment is reasonable and in accordance with IAS 36.</p> <p>We concur with management's view that significant estimation uncertainty surrounding the LFG CGU and Poplars AD CGU disclosed in Note 12 and Note 13 respectively represent reasonable worst case scenarios and are appropriately disclosed.</p>

5.4. Onerous contract provisions

Key audit matter description	<p>In the period ending 26 March 2021, the provision against onerous contracts increased to £20.5 million (2020: £15.4 million). These contracts relate to the operational challenges faced by the Group. These contracts are complex and the Group is therefore required to make operational and financial assumptions to estimate future losses over periods that can extend beyond 5 years. The prediction of future events over extended periods contains inherent risk and the outcome of customer disputes is uncertain and involves a high degree of management estimation.</p> <p>There is a risk that the provision recognised in respect of these contracts does not appropriately cover the unavoidable future losses against the contract as required under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".</p> <p>We have identified a key audit matter in respect of the judgements applied in the assessment of unavoidable future cash flows, particularly in relation to key estimation areas around the Retail Price Index (RPI) rate, commodity prices applied, discount rates and unavoidable costs under the contracts.</p> <p>The associated disclosure is included in Note 20. The Audit Committee has included their assessment of this risk on page 102 and is included within the key sources of estimation uncertainty in Note 1. For specifics of the Group's accounting policy please see page 151.</p>
How the scope of our audit responded to the key audit matter	<p>We obtained an understanding of relevant controls in place to identify contracts which may be onerous and determine whether the potential liability is appropriately accounted and disclosed in the Group's financial statements.</p> <p>We evaluated the accuracy of future cash flow forecasts with reference to recent performance, trend analysis, an assessment of historical forecasting accuracy, and operational improvements against the contracts.</p> <p>Additionally, we assessed the forecast assumptions used by management around RPI, commodity values against external market data, unavoidable costs and other rates in the model. These were assessed against underlying signed contracts and agreements.</p> <p>We evaluated the approach adopted in management's models and tested the models for arithmetical accuracy.</p>
Key observations	<p>Based on the work performed as outlined above, we are satisfied that the level of provision recognised by management is in accordance with IAS 37 "Provisions, Contingent Liabilities, and Contingent Assets" against onerous contracts.</p>

5.5. Classification and presentation of adjusting items

Key audit matter description	<p>Management adjust for certain items in order to eliminate factors which they consider to distort year-on-year comparisons. Adjusting items are not defined by IFRS and therefore significant judgement is required in determining the appropriate classification.</p> <p>Earnings excluding adjusting items is a key focus of management as well as external users of the accounts and creates an incentive to use the adjusting items to manipulate earnings excluding adjusting items. The use of Alternative Performance Measures ("APMs") within financial statements continues to be an area of increased focus by the regulators, in particular the Financial Reporting Council ("FRC") and the European Securities and Markets Authority ("ESMA").</p> <p>The Group has reported an operating profit excluding adjusting items of £44.2 million (2020: £90.5 million), which is derived from statutory operating loss of £37.6 million (2020: profit of £74.1 million) adjusted for a number of items totalling £81.8 million (2020: £16.4 million) which the Group considers meet their definition of an 'adjusting item'. The most significant adjusting items in the year include impairment charges and onerous contract provisions.</p> <p>The associated disclosure is included in Note 3. The Audit Committee has included their assessment of this risk on page 102. For specifics of the Group's accounting policy please see page 144.</p>
How the scope of our audit responded to the key audit matter	<p>The audit procedures we performed in respect of this key audit matter included:</p> <ul style="list-style-type: none"> ■ obtaining an understanding of management's process for determining the adjusting items and of relevant controls over this process; ■ challenging the adjustments between statutory and profit excluding adjusting items to understand the rationale for the separate classification; we considered their appropriateness by assessing their alignment with the Group's adjusting item accounting policy; ■ assessing the consistency of adjusting items in the reconciliation of operating profit to operating profit excluding adjusting items between periods; ■ challenging the consistency of the treatment of similar gains and losses as adjusting items; ■ assessing the disclosure within Note 3 to the accounts and determining whether it is fair, balanced and understandable; and ■ challenging the Group's alternative performance measures reporting against emerging practice and the guidance from the FRC and ESMA.
Key observations	<p>Although we noted that management adjusts for certain immaterial items, within acquisition and strategy related costs, that do not entirely meet the group policy defined in Note 3 of the financial statements, we are satisfied that the overall classification and presentation of adjusting items is reasonable and materially accurate.</p>

Independent Auditor's Report to the members of Biffa plc continued

5.6. Identification of specified intangibles as a result of business combinations

Key audit matter description	<p>During the year Biffa plc acquired Company Shop Group (CSG) for a cash consideration of £86.0 million and Simply Waste for £31.0 million. In accordance with IFRS 3 "Business Combinations", management has recognised the identifiable assets and the liabilities at their acquisition date fair values.</p> <p>A number of significant judgements were required to estimate future revenues and margins for the contracts, as well long-term growth in these businesses for the valuation of the identified intangibles. Due to the significance of management's judgement around valuation and identification of intangible assets, we have determined the acquisition as a key audit matter. More specifically, we have pinpointed this to the risk associated with the valuation of the £8.2m brand at CSG and £15.1m customer relationships intangible at Simply Waste and the identification of specified intangibles as a result of these business combinations; as a significant proportion of the consideration amount has been allocated to goodwill as part of the purchase price allocation (PPA).</p> <p>The associated disclosure is included in Note 10. The Audit Committee has included their assessment of this risk on page 103. For specifics of the Group's accounting policy please see pages 140 – 141.</p>
How the scope of our audit responded to the key audit matter	<p>The audit procedures we performed in respect of this key audit matter included:</p> <ul style="list-style-type: none"> ■ obtaining an understanding of management's process for determining the PPA of the acquisition and of relevant controls over this process; ■ enquiring of management, including individuals outside of finance, to understand and challenge the assumptions in the revenue forecasts, margins for contracts and long-term growth rate of the business with focus on estimates used in the valuation of the customer relationships and brand intangible assets; ■ testing the acquisition balance sheet and initial fair value adjustments of the acquired businesses; ■ challenging management with regards to the identification and valuation of intangible assets and liabilities post acquisition including consideration; ■ involving our internal valuation specialists in challenging management's assumptions with regard to the valuation methodology used, the identification and valuation of intangibles in light of the nature of the acquired businesses; and the determination of an appropriate discount rate; and ■ assessing the disclosure within Note 10 to the accounts and determining whether it is in accordance to IFRS 3 "Business Combinations".
Key observations	<p>Based on the work performed, we are satisfied that the acquired businesses have been appropriately accounted for in accordance with IFRS 3 "Business Combinations".</p> <p>As a result of the work performed on the cash flow forecasts used to value the aforementioned intangibles, we are satisfied that, when taken together, management's assumptions lie within a reasonable range, albeit at the optimistic end of that range.</p>

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£3.8 million (2020: £4.4m)	£1.2 million (2020: £1.8m)
Basis for determining materiality	<p>Materiality has been determined with reference to revenue and EBITDA excluding adjusting items.</p> <p>The materiality determined of £3.8m equates to 0.4% (2020: 0.4%) of revenue.</p> <p>In the prior year, materiality was determined with reference to Group revenue, EBITDA excluding adjusting items and profit before tax excluding adjusting items. In the current year, we did not include profit before tax in the basis for our materiality determination as the movement is volatile year on year.</p>	<p>Parent company materiality was determined on the basis of net assets, capped at 50% of group materiality. It equates to 0.3% of net assets.</p> <p>In the prior year the parent company materiality was determined on the basis of net assets and equated to 0.8% of net assets.</p>
Rationale for the benchmark applied	<p>We consider that a materiality based on these benchmarks reflects critical underlying measures of the Group. These are given substantial prominence throughout the annual report and reflect the key metrics used by analysts in their reports and communications to shareholders and investors, as well as the communications of peer companies.</p>	<p>As the Company is non-trading and operates as primarily a holding Company for the Group's trading entities, we believe that the net asset position is the most appropriate benchmark to use.</p>

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	60% (2020: 60%) of group materiality	60% (2020: 60%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered our cumulative experience from prior year audits, our risk assessment, including our understanding of the entity and its environment, the quality of the control environment and the history of uncorrected misstatements in previous years.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.19 million (2020: £0.22m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Biffa primarily operates in the United Kingdom; the Group has two active overseas entities based in Gibraltar that provide insurance services to the Group.

We consider the statutory reporting structure to reflect the components of the Group as this is how management monitor and control the business. The materiality and scope of work for each entity has been assessed based upon its significance and contributions to the Group. Audit procedures were then performed based upon the level of scope identified.

Based on this assessment, we performed full scope audits on 15 (2020: 15) legal entities and specified audit procedures on 1 (2020: 1) legal entity.

The full scope and specified audit procedures entities account for 98% (2020: 99%) of the Group's revenue, 96% (2020: 99%) of profit before taxation and 97% (2020: 99%) of net assets.

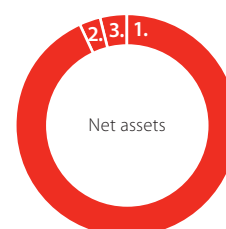
In addition to the work performed at a component level the group audit team also performed audit procedures on, but not limited to, corporate activities such as treasury and pensions as well as on the consolidated financial statements themselves, including entity level controls, litigation provisions, the consolidation, and financial statement disclosures including the parent company financial statements. In addition, we carried out review procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to a full scope audit or specified audit procedures.



1. Full audit scope	97%
2. Specified audit procedures	1%
3. Review at Group level	2%



1. Full audit scope	95%
2. Specified audit procedures	1%
3. Review at Group level	4%



1. Full audit scope	96%
2. Specified audit procedures	1%
3. Review at Group level	3%

7.2. Our consideration of the control environment

The Group operates a range of IT systems, which underpin the financial reporting process, especially Central System as the main Enterprise Resource Management system that governs the general ledger. In addition, we identified the Group-level MicroStrategy consolidation system as relevant for which we engaged IT specialists as part of our planned audit procedures in relation to the IT control environment and tested general IT controls of these systems by evaluating change management, user access and segregation of duties.

We have taken a controls reliance approach on landfill accounting, revenue recognition, fixed assets and financial reporting by testing whether key controls on these areas were operating effectively during the period.

A number of control deficiencies were identified in the FY20 audit and similar deficiencies were identified during the FY21 audit, particularly in relation to the design and implementation of controls in respect of the majority of the areas noted in the key audit matter section (see section 5). As a result of these findings we were unable to adopt a controls based audit approach in some of these areas. In response to the deficiencies identified, we revisited our risk assessment and altered the nature and extent of our planned testing, retaining our Group performance materiality at 60% of Group materiality (see section 6.2). As described in the Audit Committee Report on pages 100 – 104, they will review management's actions to address these deficiencies as well as those identified by internal audit during FY22.

Independent Auditor's Report to the members of Biffa plc continued

7.3. Working with other auditors

We engaged the Deloitte Gibraltar team as an integrated part of the group audit team for the procedures performed on the Gibraltar entity. A senior member of the Group audit team oversaw the Deloitte team's work on the Gibraltar entity. We included them in our team briefings, attended key meetings with management and reviewed their audit working papers.

8. 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.

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.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

10. 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, pensions, IT, forensic and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud..

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: landfill accounting, impairment of assets in the Resource and Energy divisions, provision for onerous contracts and the capitalisation and classification of costs associated with Project Fusion. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pension's legislation and tax legislation in all relevant jurisdictions where the Group operates.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we identified landfill accounting, impairment of assets in the Resource and Energy divisions, provision for onerous contracts and the capitalisation and classification of costs associated with Project Fusion as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters. As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC;
- in addressing the risk of fraud in Project Fusion, we held discussions with management to understand the process that the Group followed in the recognition of costs associated with Project Fusion and obtained an understanding of the relevant controls; challenged the Group's assessment of which assets represent inefficient spend and as such should be written off; assessed the reasonableness of the assumptions used in management's impairment review, tracing key inputs such as forecast costs and benefits to internal performance reporting and knowledge gained performing our other audit procedures; performed sensitivity analysis around the key assumptions in management's impairment model to assess whether headroom is sensitive to reasonably possible changes in key estimates; and
- in addressing the risk of fraud through management override of controls, 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.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Independent Auditor's Report to the members of Biffa plc continued

Report on other legal and regulatory requirements

12. 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.

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 any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

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:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate;
- the directors' statement on fair, balanced and understandable;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems; and
- the section describing the work of the audit committee.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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 are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Board on 23 August 2016 to audit the financial statements for the period ending 24 March 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 5 years, covering the periods ending 24 March 2017 to 26 March 2021.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

16. 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.

Peter Gallimore, FCA

Senior statutory auditor
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
10 June 2021

Consolidated Income Statement

	Notes	52 weeks ended 26 March 2021			52 weeks ended 27 March 2020		
		Business performance excluding adjusting items £m	Adjusting items* £m (Note 3)	Statutory results for the year £m	Business performance excluding adjusting items £m	Adjusting items* £m (Note 3)	Statutory results for the year £m
Revenue	2	1,042.0	–	1,042.0	1,163.1	–	1,163.1
Cost of sales		(940.4)	(68.1)	(1,008.5)	(1,012.7)	(11.6)	(1,024.3)
Gross profit		101.6	(68.1)	33.5	150.4	(11.6)	138.8
Operating costs		(57.4)	(13.7)	(71.1)	(59.9)	(4.8)	(64.7)
Operating Profit/(Loss)		44.2	(81.8)	(37.6)	90.5	(16.4)	74.1
Finance income	4	3.2	–	3.2	2.3	1.1	3.4
Finance charges	4	(17.6)	–	(17.6)	(21.0)	–	(21.0)
Share of results in joint venture	32	(0.8)	–	(0.8)	(0.1)	–	(0.1)
Profit/(Loss) before taxation	5	29.0	(81.8)	(52.8)	71.7	(15.3)	56.4
Taxation	8	(6.4)	18.7	12.3	(14.3)	3.5	(10.8)
Profit/(Loss) for the period		22.6	(63.1)	(40.5)	57.4	(11.8)	45.6
Profit/(Loss) attributable to shareholders of the parent Company				(40.5)			45.6
Basic earnings/(loss) per share (pence)	9			(13.7)			18.3
Diluted earnings/(loss) per share (pence)	9			(13.4)			17.9

* Items of income and expense that are considered by management for designation as adjusting items include items such as significant corporate restructuring costs, acquisition-related costs, write downs or impairments of non-current assets, movements on onerous contract provisions, impact of change in real discount rates and strategy-related and restructuring costs.

Consolidated Statement of Other Comprehensive Income

	Notes	52 weeks ended 26 March 2021 £m	52 weeks ended 27 March 2020 £m
Profit/(Loss) for the period		(40.5)	45.6
Other Comprehensive Income/(Loss)			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain/(loss) on defined benefit pension scheme	28	(21.6)	40.9
Tax relating to items that will not be reclassified subsequently to profit or loss	8	4.1	(8.3)
		(17.5)	32.6
Items that may be reclassified subsequently to profit or loss:			
Loss on fair value of cash flow hedges			
Fair value loss arising on hedging instruments during the period	18	(2.6)	(0.6)
Net loss on cash flow hedge in joint venture	32	(1.0)	(1.8)
		(3.6)	(2.4)
Other comprehensive income/(loss) for the period, net of income tax		(21.1)	30.2
Total comprehensive income/(loss) for the period		(61.6)	75.8
Attributable to shareholders of the parent Company		(61.6)	75.8

Consolidated Statement of Financial Position

	Notes	As at 26 March 2021 £m	As at 27 March 2020 £m
Assets			
Non-current assets			
Goodwill	11	224.3	132.2
Investment in joint venture	32	9.6	3.0
Other intangible assets	12	182.5	197.0
Property, plant and equipment	13	562.2	527.8
Long-term receivables	15	65.8	65.8
Loan to joint ventures		6.0	2.4
Retirement benefit surplus	28	112.1	124.7
		1,162.5	1,052.9
Current assets			
Inventories	14	22.3	16.1
Trade and other receivables	15	141.3	165.3
Contract assets	16	50.6	56.2
Financial assets	18	12.8	6.7
Derivative financial instruments		0.3	0.4
Cash and cash equivalents	17	30.8	87.8
		258.1	332.5
Current liabilities			
Borrowings	18	(54.7)	(43.6)
Derivative financial instruments	18	(3.0)	(1.6)
Trade and other payables	19	(257.5)	(274.1)
Deferred and contingent consideration	10	(9.4)	–
Contract liabilities	16	(19.6)	(17.8)
Corporation tax creditor		(0.3)	(0.1)
Provisions	20	(16.1)	(10.2)
Total current liabilities		(360.6)	(347.4)
Net current liabilities		(102.5)	(14.9)
Non-current liabilities			
Borrowings	18	(474.2)	(511.0)
Derivative financial instruments		(0.9)	–
Trade and other payables	19	(14.6)	(13.6)
Provisions	20	(101.3)	(85.1)
Deferred tax liability	21	(11.1)	(17.3)
Total non-current liabilities		(602.1)	(627.0)
Net assets		457.9	411.0
Equity			
Called up share capital	23	3.1	2.5
Share premium	23	247.0	235.3
Hedging reserves		(6.4)	(2.8)
Merger reserve	23	170.3	74.4
Retained earnings	24	43.9	101.6
Total equity attributable to shareholders		457.9	411.0

The Financial Statements were approved by the Board of Directors and authorised for issue on 10 June 2021. They were signed on its behalf by:



Richard Pike

Director

Company no: 10336040

Consolidated Statement of Changes in Equity

	Called up share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Retained earnings £m	Total equity £m
As at 29 March 2019	2.5	235.3	74.4	(0.4)	48.4	360.2
Profit for the period	–	–	–	–	45.6	45.6
Other comprehensive income/(loss)	–	–	–	(2.4)	32.6	30.2
Total comprehensive income/(loss)	–	–	–	(2.4)	78.2	75.8
Share purchased by employee benefits trust	–	–	–	–	(9.1)	(9.1)
Value of employee service in respect of share option schemes (excluding NICs)	–	–	–	–	2.6	2.6
Deferred tax on share based payments	–	–	–	–	(0.2)	(0.2)
Dividends paid	–	–	–	–	(18.3)	(18.3)
As at 27 March 2020	2.5	235.3	74.4	(2.8)	101.6	411.0
Loss for the period	–	–	–	–	(40.5)	(40.5)
Other comprehensive loss	–	–	–	(3.6)	(17.5)	(21.1)
Total comprehensive loss	–	–	–	(3.6)	(58.0)	(61.6)
Equity raise*	0.5	1.3	95.9	–	–	97.7
Issue of share capital**	0.1	10.4	–	–	–	10.5
Shares purchased by employee benefits trust	–	–	–	–	(4.4)	(4.4)
Value of employee service in respect of share option schemes (excluding NICs)	–	–	–	–	3.2	3.2
Deferred tax on share based payments	–	–	–	–	1.5	1.5
As at 26 March 2021	3.1	247.0	170.3	(6.4)	43.9	457.9

* In May 2020, the Group incorporated a Jersey registered "cash box" company. This was used to facilitate the equity raise of 49,339,233 ordinary shares of 1p each at a placing price of £2.00 each. The transactions satisfied all required conditions under section 612 of the UK Company Act 2006 to obtain merger relief and therefore the excess of the net proceeds over the nominal value of the shares has been credited to a merger reserve rather than share premium. The net proceeds of the "cash box" equity raise was £95.9m, recognised in the merger reserve. At the same time, 660,766 shares were directly issued to the Board and executive management team as part of the equity raise. The net proceeds of the direct issue was £1.3m which has been recognised in share premium. The equity raise generated total proceeds of £100m and the Biffa plc group received cash proceeds of £97.7m net of expenses. The amount within the merger reserve relating to this equity raise is now a distributable reserve.

** During the period, the Group settled its FY20 bonus payments using share options. A share allotment of 3m shares was issued to partially cover this payment. This issue did not have a cash impact as share were issued to settle the bonus liability. The share premium on this issue was £6.3m.

Consolidated Statement of Cash Flows

	Notes	52 weeks ended 26 March 2021 £m	52 weeks ended 27 March 2020 £m
Cash flows from operating activities			
Cash generated from operations	25	134.5	193.8
Adjusting items		(11.0)	(14.0)
Net cash from operating activities		123.5	179.8
Income tax paid		(0.6)	(0.2)
Net cash inflow from operating activities		122.9	179.6
Cash flows from investing activities			
Purchases of property, plant and equipment		(45.0)	(56.8)
Purchases of intangible assets		(3.9)	(3.8)
Funds on long term deposit		(0.1)	–
Compensation		–	4.4
Purchases of business	10	(119.1)	(5.1)
Cash acquired from business combinations		16.0	–
Investment in joint ventures		(8.4)	(5.0)
Sale of rights to shares in joint venture		2.8	–
Proceeds from the sale of property, plant and equipment		0.8	1.6
Loan to joint venture		(3.6)	(2.4)
Interest received		0.1	0.3
Net cash used in investing activities		(160.4)	(66.8)
Cash flows from financing activities			
Interest paid		(14.6)	(17.2)
Employee share scheme purchase		(4.5)	(6.0)
Exercise of share options		4.9	–
New loans raised		70.0	1.0
Repayment of borrowings	26	(128.6)	–
Extension of borrowing fees		(0.6)	(0.5)
Cash flow on settlement of derivatives		(0.4)	–
Equity raise*		97.7	–
Lease liabilities principal payments	26	(43.4)	(50.2)
Dividends paid		–	(18.3)
Net cash flow used in financing activities		(19.5)	(91.2)
Net increase in cash and cash equivalents		(57.0)	21.6
Cash and cash equivalents at the beginning of the period		87.8	66.2
Cash and cash equivalents at the end of the period	17	30.8	87.8

* Net of transaction fees of £2.3m

Notes to the Consolidated Financial Statements

1. Accounting Policies

Basis of preparation

The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial statements have also been prepared in accordance with International Financial Reporting Standards as issued by the IASB. The comparative financial information has also been prepared on this basis.

The Consolidated Financial Statements have been prepared on a historical cost basis, except for the recording of pension assets and liabilities and the revaluation of certain derivative financial instruments.

The Financial Statements for 2021 have been prepared for the 52-week period ended 26 March 2021. The prior year was a 52-week period, to 27 March 2020. The upcoming year will also be a 52-week period, to 25 March 2022. The Notes to the accounts refer to 2021 and 2020 mean the 52-week period ended 26 March 2021 and 52-week period ended 27 March 2020 respectively.

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated Financial Statements are disclosed on pages 150 – 151.

The Group's financial performance is analysed into two components, "business performance excluding adjusting items" and "adjusting items". Business performance excluding adjusting items is used by management to monitor financial performance as it is considered it aids comparability of the reported financial performance year to year. The Group's income statement and segmental analysis separately identify a number of Alternative Performance Measures (APMs) in addition to those reported under IFRS. The Directors believe that the presentation of the results in this way, which is not meant to be a substitute for or superior to IFRS measures, is relevant to an understanding of the Group's business performance trends, financial performance and position. These APMs are also used to enhance the comparability of information between reporting periods and the Group's divisions, to aid the user in understanding the performance of the business. Our APMs and KPIs are aligned to our strategy and together form the basis of the performance measures for remuneration. Consequently, APMs are consistent with how the business performance is planned and reported internally to the Board and Operating Committees to aid their decision making. Additionally, some of these measures are used for the purpose of setting remuneration targets.

Going concern

During FY21, Biffa's financial performance was materially impacted by the Covid-19 pandemic and the associated lockdown measures. The Group demonstrated its agility and responsiveness in addressing the volume fluctuations, but EBITDA excluding adjusting items was still depressed by over £35.0m and statutory profit before tax in FY20 of £56.4m dropped to a loss before tax in FY21 of £52.8m.

The greatest impact of the pandemic was felt in the first quarter of the financial year, where volumes in both the I&C and landfill operations dropped to around 50% of prior year levels. As lockdown measures eased, we saw volumes rapidly improve to around 95% of FY20 levels, before being impacted again during the second and third lockdown periods and overall Group revenue averaging out at 90% of prior year out turn.

One of the Group's immediate responses to protect its financial strength during the Covid-19 affected period, was to agree short-term revised covenants on the Revolving Credit and surety facilities. This increased the leverage covenant from 3.5x to 5.5x for the first half of the financial year, which was reduced to 4.3x for the second half. The Group also undertook an equity placing of 50m shares in June 2020, raising net proceeds of £97.7m. Consequently, even after significant ongoing investment in the period, the actual outturn at September 2020 was 1.3x and at the year-end was 2.2x. As a result, despite going back into lockdown in January, it was apparent from the business performance excluding adjusting items that the Group didn't need to rely on these protections and as a result the waivers were removed in February 2021 at Biffa's request, which in turn removed the associated restrictions on finance lease, capital expenditure and M&A activity.

The Group had unutilised committed bank facilities available of £150m as at the FY21 year end and cash and cash equivalents of £30.8m. Latest forecasts suggest that the Group will return back to FY20 EBITDA levels (excluding adjusting items) during FY22, providing we don't encounter further lockdowns. These forecasts, when overlaid with sensitivity analysis taking into account different scenarios for fluctuations in trading performance, show that the Group are expected to be able to comfortably operate within the current levels of the facility over the next twelve months.

On 8 October 2020, the Group acquired 100% of the share capital of Camo Ltd (which trades under the name of Simply Waste) and this included dormant subsidiaries Simply Waste Limited and Simply Cups Limited. The Simply Waste brand is a prominent, well-regarded operator in the south of England. Its operational locations in West London, Oxfordshire and Bristol align well with Biffa's existing portfolio, and once merged into the Collections network will result in an enhanced customer proposition and a lower-carbon, more efficient collection network. Since acquisition to the end of the financial year, Camo Ltd has generated revenues of £11.8m and a profit before tax of £0.9m.

On 24 February 2021, the Group acquired 100% of the share capital of Company Shop Limited (CSG). CSG is the UK's leading and largest redistributor of surplus food and household products. It prevents waste by identifying surplus produce and then collecting, processing and redistributing it for sale through its unique network of membership-based outlets. For the financial year ending 26 March 2021 the CSG business has been recognised as part of the Collections division. Going forward into the next financial year, a new division; Specialist Services, will be introduced to recognise the differing operations of CSG.

On 21 May 2021, the Group has reached agreement to buy Viridor's Collection business and certain recycling assets. While a deal has been agreed, the deal will not complete until the necessary preparations and legal aspects have been completed and regulatory approval has been received for the deal. This is expected to happen by August 2021. Expected cash consideration is £126.0m and £17.0m of IFRS 16 lease liabilities will be assumed. The assets acquired delivered revenue of £142.0m and adjusted EBITDA of £18m in the year ending March 2020.

In order to maintain adequate liquidity headroom post the Viridor acquisition, the group has arranged a private placement facility with two investors for £150m covering a term of 7 and 10 years with an average borrowing cost of 2.73%.

The cost of the commitments since the Capital Markets Day have been captured in the going concern assessments when assessing the funding requirements.

Based on the above, the Directors have concluded the Group is well placed to manage its financing and other business risks satisfactorily and have a reasonable expectation that the Group will have adequate resources to continue in operation for at least twelve months from the signing date of these Consolidated Financial Statements. They therefore consider it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements.

Notes to the Consolidated Financial Statements continued

1. Accounting Policies continued

Basis of consolidation

The consolidated financial statements incorporate the Financial Statements of the Company and entities controlled by the Company (its subsidiaries) made up to 26 March 2021. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the Income Statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

All intra-Group transactions are eliminated as part of the consolidation process. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Changes in accounting policies and disclosures

New and amended IFRS Standards that are effective for the current year

At the date of authorisation of these Financial Statements, the below Standards and amendments are effective for reporting periods beginning after 1 January 2020, but have not impacted on the Group's reporting.

- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
- Amendments to References to the Conceptual Framework in IFRS Standards
- IFRS 16 Leases: Amendment to provide lessees with an exemption from assessing whether a Covid-19-related rent concession is a lease modification
- IAS 1 Presentation of Financial Statements: Amendments regarding the definition of material
- Amendments to IFRS 3 Definition of a business – The Group has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or Group of similar assets.

- Amendments to IAS 1 and IAS 8 Definition of material – The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

The adoption of the standards listed above did not have a material impact on the financial statements of the Group.

New standards and interpretations not yet adopted

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and had not yet been adopted:

- IBOR Phase 2 (effective for reporting periods starting after 1 January 2021)
- Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16 (effective for reporting periods starting after 1 January 2022)
- IFRS 17 Insurance Contracts

At the date of authorisation of these financial statements, there is expected to be no material impact to the Group's financial statements from IFRSs, IFRICs or other standards or interpretations that have been issued but which are not yet effective.

There are no other IFRSs or IFRIC Interpretations that are not yet effective that would be expected to have a material impact on the Group.

Business combinations

The Group accounts for acquisitions of businesses using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred to the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity measurements related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share based payments at the acquisition date;

Business combinations continued

- assets (or disposal Groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets and acquired and the liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete.

Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is tested annually for impairment or if there is an indication of impairment. Gains and losses on the disposal of a cash-generating unit include the carrying amount of goodwill relating to that cash-generating unit.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or Groups of cash-generating units) that is expected to benefit from the synergies of the business combination. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Gains and losses on the disposal of a cash-generating unit include the carrying amount of goodwill relating to that cash-generating unit.

Investment in joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Under the equity method, an investment in an associate or a joint venture is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Executive Team.

The Group's operating segments are split into 2 divisions:

- Collections which encompasses Municipal, Industrial & Commercial and Specialist Services sub-divisions.
- Resources & Energy which consists of Inerts, Organics, Recycling and Landfill Gas sub-divisions.

Revenue recognition

Revenue represents the fair value of goods and services delivered to customers in the normal course of business, net of trade discounts and VAT. The five-step model is used in determining when services are deemed to have been delivered when, and to the extent that, the Company has met its obligations under its service contracts. Payments received in advance of performance are deferred and recognised as revenue when the related service is delivered.

Waste collection revenue

The Collections division collects waste from customer sites. Revenue is recognised at a point in time when the waste is delivered to transfer stations or to a third party. The transaction price is based on contractually pre agreed prices for collecting and processing the waste. Due to the short time between start and completion of the performance obligations (usually on the same day), the revenue recognition and the allocation of the transaction price over performance obligations is usually straightforward and dependent on the daily collection and processing of waste.

Notes to the Consolidated Financial Statements continued

1. Accounting Policies continued

The Collections division also provides collections services to households on behalf of local authorities under Municipal contracts, for which revenue is recognised 'over time'. The nature of the contracts and performance obligations includes management fees to operate local authority recycling centres, waste collections and gate fees. The annual revenue for the service is agreed at the outset of the contract and invoiced in equal amounts, monthly in arrears. The Group recognises the revenue based on the working days within the accounting period, which is considered an appropriate approximation to when the process occurs. This is adjusted for any discounts given and penalties for non-delivery of services. However gate fee revenue is recognised as customer waste is deposited and based on tonnage received.

Landfill revenue

The Company generates revenue from landfill activities by accepting customer waste onto site for disposal into void space. This revenue stream consists of gate fee revenue derived from the Company's operational assets and is based on measured tonnages received from customers. Performance obligations are satisfied as the customer waste is deposited onto the landfill site and revenue recognised at 'a point in time'.

Revenue from sale of recyclate materials

The Group collects various waste materials, some of which are general waste and some of which are recyclable materials. The recyclable materials are generally co-mingled and as such then have to be separated into individual recyclate streams ready for resale. Recyclate revenues are measured at the agreed transaction price per tonne of recyclate under the contract with the customer. Revenue recognition occurs when control over the recyclate assets has been transferred and therefore the performance obligation is satisfied at the point in time of collection by the customer.

Energy revenue

The Group receives revenue from the sale of electricity from generating assets. These assets include anaerobic digestion and gas from landfill sites. Revenue from the sale of electricity is measured based upon metered output delivered at rates specified under agreed contract terms with Biffa's broker EDF under Power Purchase Agreements (PPA) or prevailing market rates. Energy generation revenues are recognised at 'a point in time', being the point at which the power is supplied through the sale to the customer, via EDF, based on the quantity of units supplied.

Revenue from redistribution of surplus food and household products

The Company Shop Group is a redistributor of surplus food and household product in the UK. The business redistributes surplus stock that it purchases from the Fast Moving Consumer Goods (FMCG) supply chain to members who work in key sectors including FMCG businesses, emergency services and social care. Sales are recognised at the point which the risks and rewards attached to the products (including product obsolescence) have been transferred to the customer. This occurs when the customers take possession of the stock that has been purchased.

Trade discounts

Trade discounts are agreed as part of the contractual terms of certain customer contracts. The discounts are usually in the form of a price reduction based on volume collected on a monthly basis. The calculations and terms of the discounts are set out in the respective agreed customer contracts. They are calculated in accordance with the contract, accrued automatically by the accounting system on a monthly basis, and reported as a reduction in revenue. At the end of the calendar month, the amount of the discount for that period is disclosed to and agreed with the relevant customers. This discount is then recognised either by raising a credit note or by the customer raising a separate invoice. These mechanisms are agreed at the outset of the contract. As the monetary trade discount per unit is known and the volume is known, there is no element of estimation within the calculation. Discounts are agreed with the customer to individual contracts on a monthly basis and are immaterial as at year end.

The Material Recycling Facilities (MRFs) have contracts with local authorities which contain a "risk sharing mechanism". Local authorities are charged a gate fee per tonne of waste delivered, at the point the waste enters the site. In addition, once the co-mingled waste recyclate streams have been sorted and sold, the local authorities are then entitled to a rebate based upon a pre agreed percentage of the recyclate value achieved. The calculations and terms of the rebates are set out in the respective contracts with local authorities. The rebates are accrued by netting this amount off revenue every reporting period. The calculation is shared with the customer and a credit note raised (or the customer raises an invoice). Rebates are agreed with the customer to individual contracts on a monthly basis and are immaterial at year end.

When the accruals are calculated the relevant price or index are used; or in the event that the material has not been sold or the latest index price is unavailable at the reporting date, latest available pricing is used. The terms and the mechanism of the trade discounts and commodity rebates are agreed and contained within the customer contracts, thereby providing certainty of the amounts to both parties of the contract. Furthermore, the discounts and rebates are confirmed prior to the invoices being raised. As the variability is resolved promptly on a monthly basis, there is no judgement or estimation uncertainty in determining discounts and commodity rebates and accordingly no revenue was constrained in the period.

Leases

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (defined by management to not exceed £5,000). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The Group's incremental borrowing rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value in a similar economic environment.

Lease payments included in the measurement of the liability comprise:

- fixed lease payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is presented within borrowings in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect the interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payment change is due to a change in floating rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payment at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are disclosed in note 13 to the Financial Statements.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy. Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

Foreign currencies

In preparing the financial information of each individual Group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are recognised as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting these Consolidated Financial Statements, the Group's foreign currency denominated assets and liabilities are translated into Sterling using the exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used.

Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Notes to the Consolidated Financial Statements continued

1. Accounting Policies continued

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

During the period, the Group benefited from receipts from the UK government under the Coronavirus Job Retention Scheme (CJRS) of £12.0m. In accordance with IAS 20, amounts received were presented as a deduction to the employment costs upon which CJRS claims had been based.

Employee benefits

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur.

Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost as well as gains and losses on curtailments and settlements)
- Net interest expense or income
- Remeasurement

The Group presents service costs in operating costs and net interest expense or income is included in finance income. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

The Group makes contributions under Admitted Body status to a number of Local Government Pension Schemes (LGPS) for the period to the end of the relevant customer contracts. The Group will only participate in LGPS for a finite period up to the end of the relevant customer contracts.

The Group determines whether an LGPS scheme is accounted for under a defined benefit or defined contribution scheme based on whether the deficit/surplus can be passed through to the next contractor or Local Authority at the end of the contract. If at the end of the contract, the Group is not liable to settle any liability or equally entitled to any benefit, the scheme is recognised as defined contribution and contributions are recognised as an expense. For contracts that do not allow for pass through of pension costs, the Group recognises the defined benefit obligation less the fair value of scheme assets, and an adjustment to only recognise the amount of defined benefit for which it is responsible under the contract. Movements in this adjustment are recognised in the same way as movements in plan assets.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Share-based payment plans

The Group's management awards employee share options, from time to time, on a discretionary basis which are subject to vesting conditions. The economic cost of awarding the share options to its employees is recognised as an employee benefit expense in the income statement equivalent to the fair value of the benefit awarded. The fair value is determined by reference to the stochastic pricing model. The charge is recognised over the vesting period of the award.

Adjusting items

The Group income statement has been presented in a columnar format to enable users of the financial statements to view the business performance results of the Group excluding adjusting items. The Group's policy is to exclude items that are considered significant in nature and/or value, not in the normal course of business or are consistent with items that were separately disclosed in prior periods. Treatment as an adjusting item provides users of the accounts with additional useful information to assess the year-on-year trading performance of the Group. Further details relating to separately disclosed items are provided in note 3 and a full listing of the Group's alternative performance measures (APMs) are provided in the glossary on page 191.

Cash flow

Cash and cash equivalents as defined for the Statement of Cash Flows comprise cash in hand, cash held at bank with immediate access, other short-term investments and bank deposits with maturities of three months or less from the date of inception, and bank overdrafts.

Taxation

Income tax represents the sum of the tax currently payable and deferred tax. This facilitates comparison with prior periods to assess trends in financial performance more readily. It is determined by management that each of these items relates to events or circumstances that are non-recurring in nature.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits generated in subsequent reporting periods will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current or deferred tax arises from the initial accounting of a business combination, the tax effect is included in accounting for the business combination.

Property, plant and equipment

Landfill sites are recorded at cost less accumulated depreciation and accumulated impairment losses. The cost of landfill sites includes the cost of acquiring, developing and engineering sites. There are no directly attributable borrowing costs. Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual value over their useful economic lives. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

In the Financial Statements depreciation was recognised so as to write off the assets on the below basis:

- Buildings – length of lease straight-line method
- Plant, vehicles and equipment – 4 to 15 years straight-line method
- Landfill sites – 2 to 51 years void consumed

Where the obligation to restore a landfill site is an integral part of its future economic benefits, a non-current asset within property, plant and equipment is recognised. Changes to the obligation are recorded as adjustments to the carrying value of the asset. The asset recognised is depreciated based on energy production and void used.

Right-of-use assets are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Notes to the Consolidated Financial Statements continued

1. Accounting Policies continued

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

The following useful lives have been applied to the intangible assets during the period:

- Brand – indefinite life
- Customer contracts – 3 to 20 years
- IT development – 3 to 5 years
- Landfill gas rights – length of projected profitable gas extraction based on the life of the site's associated Renewable Obligation Certificates (ROCs). See change in accounting estimate of useful economic life of Landfill Gas division on page 151.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the criteria listed above. When no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses on the same basis as intangible assets that are acquired separately. An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less estimated costs of completion and costs necessary to make the sale. Full provision is made for obsolete or defective stock.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). The effects of inflation and unwinding of the discount element on existing provisions are reflected in the Financial Statements as a finance charge.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions for the cost of restoring landfill sites and aftercare costs are made as the obligation to restore the site arises. Costs are charged to the profit or loss over the operational life on the basis of the usage of void space for each landfill site. The restoration obligation is typically fulfilled within two years of the landfill site being closed to waste.

Provisions for aftercare costs are made as the aftercare liability arises. Costs are charged to the profit or loss over the operational life of each landfill site on the basis of usage of void space. When the obligation recognised as a provision gives access to future economic benefits, an asset in property, plant and equipment is recognised. Changes in the provision arising from revised estimates that relate to the asset are recorded as adjustments to the carrying value of the asset. The asset is depreciated over the period of gas generation which commences during the active phase of landfill and extends beyond the closure date, producing commercial volumes of gas for up to 16 years. Aftercare costs are provided for based on the Directors' expectation that the obligation will have been fulfilled 60 years post closure of the site.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Service concession arrangements

Concession arrangements involve the transfer of operating rights for a limited period, under the control of the local authority, using dedicated facilities supplied by the Group or made available to it for or without considerations.

The Group applies the financial asset model when the concession grantor contractually guarantees the payment of amounts specified in the contract or the shortfall, if any between amounts received from users of the public service and amounts specified.

Financial assets resulting from the application of IFRIC 12 'Service Concession Arrangements' are recorded in the Group Balance Sheet as financial assets or liabilities within working capital. These financial assets are assessed for impairment in line with the provisions of IFRS 9.

Where the Group has constructed infrastructure on behalf of a third party as part of an integrated waste management contract which grants the Group unconditional, contractual rights to future revenues, the right to consideration is recorded as a financial asset. This financial asset accrues finance income and is reduced as the financial payments are received.

Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instruments.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe established by regulation or convention in the marketplace.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (FVTPL) and loans and receivables.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value depending on the classification of the financial asset.

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at FVTPL.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments measured subsequently at amortised cost and at FVTOCI.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

Notes to the Consolidated Financial Statements continued

1. Accounting Policies continued

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. The Group recognises a loss allowance for expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

The expected credit losses are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast future conditions at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Impairment of financial instruments

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default;
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

All customers are subject to credit scoring on a quarterly basis. The Group considers a financial asset to have low credit risk when the external credit rating of the counterparty exceeds the Group's minimum required score, and when the counterparty has a strong financial position and payments are being made within the contractual terms.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying a significant increase in credit risk before the amount becomes past due.

The Group considers the below as constituting an event of default as historical experience indicates that financial assets that meet the following criterion are generally not recoverable:

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Financial assets may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data such as significant financial difficulty of the borrower or it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation. The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group has not participated in any material supplier financing arrangements during the current or prior year.

Financial liabilities and equity instruments

Borrowings are recognised initially at fair value, net of transaction costs incurred. Any difference between the amount initially recognised (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Commitment and borrowing fees are capitalised as part of the loan and amortised over the life of the relevant agreement. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Borrowings are classified as non-current liabilities where the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income statement.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date the entity becomes party to the contractual provisions of the instrument and are subsequently remeasured at their fair value at each balance sheet date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and the nature of the item being hedged.

The Group designates certain derivatives as either a) fair value hedge (hedges of the fair value of recognised assets or liabilities); or b) cash flow hedge (hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction); or c) net investment hedge (hedges of net investments in foreign operations).

The Group documents the transaction relationship between the hedging instruments and hedged items at inception.

At inception and at each reporting date the Group assesses whether the derivatives used have been effective in offsetting changes in the fair value of hedged items.

The fair values of derivative instruments used for hedging are shown in Note 18. Movements in the hedging reserve are shown in the statement of changes in equity.

At the reporting date the Group has no fair value hedges or net investment hedges.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges are recognised in equity. The Group's cash flow hedges in respect of forward foreign exchange contracts result in recognition in either income statement or in the hedging reserve.

When a hedging instrument expires or is sold, any cumulative gain or loss in equity at that time remains in equity and is recognised when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity will be transferred to the income statement.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship so that it meets the qualifying criteria again.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

Share capital

Ordinary Shares are classified as equity and recorded at par value of proceeds received. Where shares are issued above par value, the proceeds in excess of par value are recorded in the share premium account net of direct issue costs.

Dividend distribution

Final dividend distribution to the Company's shareholders is recognised as a liability in the Financial Statements in the period in which the dividends are approved. Interim dividends are recognised when paid.

Areas of judgement and key sources of estimation uncertainty

The preparation of IFRS compliant Financial Statements requires the use of accounting estimates and assumptions and also requires management to exercise its judgement in the process of applying Group accounting policies. The Group continually evaluates its estimates, assumptions and judgements based on available information and experience. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates. Management considered, throughout the year, the financial reporting impact associated with our identified principal and emerging risks which include the effects of Covid-19, climate change and Brexit.

Judgements

The cost of internally generated assets is capitalised as an intangible asset where it is determined by management's judgement that the ability to develop the assets is technically feasible, will be completed, and that the asset will generate economic benefit that outweighs its cost.

The Group also applies judgement in identifying the significant, exceptional and non-recurring items of income and expense. We have summarised the policy in more detail in Note 3.

In light of the current ongoing impact of the Covid-19 pandemic, valuations of certain assets and liabilities are necessarily more subjective. In particular further areas of estimation uncertainty impacting the Group's position as at 26 March 2021 have been identified including the valuation of certain pension assets, in particular unquoted equities and property investments Note 28.

Brexit

The Board believes that the potential impact of Brexit on the Group will be relatively limited given that it operates primarily within the United Kingdom. Principal risks include foreign exchange movements, imposition of tariffs and potential constraint of labour supplies. The Board will continue to closely monitor developments in the UK Government's Brexit plans and any potential impacts on the Group. Similarly, management will continue to monitor potential cost impacts on services and seek to discuss those with customers as appropriate, on a case by case basis.

Notes to the Consolidated Financial Statements continued

1. Accounting Policies continued

Legal and tax cases

The Group has provisions in place for ongoing litigation. Management exercises judgement in determining the amount of provision required. This provision is calculated using information provided by external professionals where applicable or management's best estimate. As per note 33, the group is engaged in a dispute with HMRC concerning historical landfill tax. A liability of £47.6 million has been recognised in borrowings, an accrual of £13 million has been recognised in non-current liabilities. Of the liability of £47.6 million, £6.3 million has been included within Reported Net Debt as it will be payable irrespective of the outcome of the dispute.

The Group is also engaged in a dispute with HMRC in relation to the landfill tax treatment of sub-soils with low levels of contamination from asbestos. The Group has received a protective assessment of £8.5m, which has been paid. As the Group is currently disputing this assessment, and management believe it likely that they will win the dispute, the £8.5m payment is included in prepayments in the current year.

Acquisition of Company Shop Group (CSG)

The acquisition of CSG occurred on 24 February 2021. Given the proximity to the Group's financial year end and as permitted by IFRS 3 "Business Combinations", the fair value of identified assets and liabilities acquired have been presented on a provisional basis. The fair value of these assets and liabilities will be finalised within twelve months of the acquisition date.

The Group expects future performance of the acquisitions to exceed the goodwill consideration. On CSG, net profit margins would have to decrease by 3.5% for there to be no headroom on the goodwill compared to its value in use. For each additional 1% decrease in net profit margins a further £11m impairment would occur.

Estimates

The Group has the following key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period:

Environmental and aftercare commitments of £71.0m (see note 20)	<p>The Group operates a number of landfill sites in the UK. A significant cost of owning and operating a landfill site in the UK arises after the land filling operation ceases due to the constructive and legal obligation to restore sites and then to care for them until it can be demonstrated that they present no ongoing risk to the environment.</p> <p>A provision is made for the costs associated with restoring and maintaining its landfill sites and controlling leachate and methane emissions from the sites. A number of estimate uncertainties affect the calculation, including the impact of regulation, climate change, accuracy of site surveys, transportation costs and changes in the real discount rate. The provisions incorporate our best estimates of the financial effects of these uncertainties, but future changes in any of these estimates could materially impact the calculation of the provision.</p> <p>The associated outflows are estimated to arise over a period of up to 60 years depending on the date of each site closure. In determining the provision, the estimates for future expenditure required to settle the obligation are inflated using longer term inflation rates, and discounted using the nominal discount rate. The rates utilised reflect the period of the obligation on a site by site basis which varies between 10 and 60 years.</p> <p>At FY20 year end the 5 year discount rate was 2.1% and the 60 year discount rate was 2.2%. Since then, discount rates have dropped to 1.0% and 2.0% respectively. This has had a material impact on the landfill aftercare provisions.</p> <p>An increase of 1% in the real discount rate (at current cost) would result in a decrease of environmental provisions of approximately £15.7m (2020: £10.3m). A 10% increase in cash outflows would result in an increased environmental provision of £7.7m (2020: £5.9m).</p> <p>Long-term aftercare provisions included in landfill restoration and aftercare provisions have been inflated at a rate of 2.8% (2020: 2.3%). An increase of 1% in the rate of inflation would result in an increase of environmental provisions of approximately £22.8m (2020: £14.3m).</p>
Retirement Benefit Accounting relating to surplus of £112.1m (see note 28)	<p>The Group operates several defined benefit pension schemes which are accounted for under IAS 19 ("Employment Benefits"). Pension accounting is a specialist area requiring the exercise of significant management judgement and the use of technical expertise to determine the surplus or deficit of the scheme in accordance with generally accepted actuarial practices. The assumptions used in valuing the defined benefit pension liabilities including the discount rate, yield curves, mortality assumption, inflation level, pension increase and measures of longevity are complex and changes to the assumptions can have a material impact on the value of pension liabilities. As at the end of the financial year the Group recognised a retirement benefit surplus of £112.1m.</p> <p>If the discount rate is 0.5% lower the defined benefit asset would decrease by £56.8m (2020: £50.5m).</p> <p>If the inflation assumption increases by 0.5% the defined benefit asset would decrease by £52.0m (2020: £42.6m).</p> <p>If the life expectancy increases by one year for both men and women, the defined benefit asset would decrease by £18.2m (2020: £19.4m).</p> <p>All pension valuations are performed as at the year end reporting date.</p>

Onerous Contract Provision of £20.5m (see note 20)	<p>Certain contracts held by the Group are considered onerous and long-term in nature. These contracts can be complex and contain key performance indicator clauses where penalties may be incurred in the event of non-compliance. The Group is therefore required to make operational and financial assumptions to estimate future losses over periods that can extend beyond seven years.</p> <p>Variability of contract penalties, underlying delivery costs, commodity prices applied and customer claims or disputes can put additional pressure on margins and on future contract profitability, giving rise to onerous contract provisions.</p> <p>The prediction of future events over extended periods contains inherent risk and the outcome of customer and subcontractor claims is uncertain and involves a high degree of management estimation.</p> <p>The Group held 3 onerous contract provisions during the year relating to contracts on North Somerset, Mid-Kent Partnership and Leicester. During the year the Group exited the contract with North Somerset and utilised the full provision of £6.6m, leaving the onerous contract provision of Mid-Kent Partnership and Leicester at year end.</p> <p>The future cash inflow from the remaining onerous contracts are highly predictable as they are fixed based on the terms of the contract. However, the costs associated with delivering the contract can vary and assumptions on future cash outflows is considered a significant estimate when modelling the future net cash outflows on onerous contract provisions. On the Mid-Kent provision a 5% increase in future cash outflows would increase the provision by £1.5m and on the Leicester provision a 5% increase in future cash outflows would increase the provision by £5.4m.</p>
Asset Impairment Review on the Group's tangible and intangible assets of £744.7m (see note 3)	<p>The Group carries different classes of intangible assets including, gas reserves, brand name and customer contracts. The Group also has classes of tangible assets in property, landfill gas and plant, vehicles and machinery. The carrying value of these is dependent on future cash flows and if these cash flows do not meet the Group's expectations there is risk that the assets will be impaired. The impairment reviews performed by the Group contain a number of significant estimates:</p> <ul style="list-style-type: none"> ■ forecast energy prices including the impact of climate change to these prices ■ the ROCs recycle benefit rights ■ forecast gate fees, tonnage prices and gas yield projections; and ■ discount rates <p>Management relies on a number of third party experts to value a number of these key estimates. Changes in these assumptions can have a significant impact on the headroom available in the impairment calculations.</p> <p>During the financial year, the Group recognised asset impairments of £13.7m relating to the Group's IT system replacement programme; Project Fusion within intangible assets (note 12).</p> <p>The Group also recognised impairment of £8.2m relating to the anaerobic digestion plant at Poplars within plant, property and equipment. The discounted future cashflows give a headroom of £1.2m at the end of the financial year. Given the current uncertainty on future energy prices and the relatively small headroom, management have not reversed the impairment previously recognised in Poplars AD assets earlier in the year.</p> <p>Based on third party reports, the Group has assumed the market price for food waste at the end of FY27 to be £20/te. If the Poplars AD energy price remained flat at £48/MWh this would reduce value in use by £3.0m resulting in an impairment of £1.8m. The ROC recycle benefit has been modelled at £6.07, if this was £5 per ROC, it would reduce the value in use by £1m. If the discount rate increased by 100 basis points this would reduce the value in use by £1.0m. The adverse movements described above are management's view of a reasonable worse case scenario when assessing the value in use of the Poplars AD assets. In aggregate these scenarios would lead to an impairment of £3.8m.</p>

In order to illustrate the impact that changes in assumptions could have on the Group's results and financial position, further sensitivity analysis has been included within the Notes.

Notes to the Consolidated Financial Statements continued

2. Segmental Information

Change in accounting estimate for useful economic life of Landfill Gas division

The Group holds intangible assets relating to the Landfill Gas (LFG) business. The LFG business generates some of its income via the production of Renewable Obligation Certificates (ROCs). These are "green energy certificates" which are issued to operators of accredited renewable generating stations for the eligible renewable electricity that they generate. ROCs are then sold on to energy providers for which the Group recognises revenue on sales. ROCs income currently represents around 11% of the Resources & Energy division's total revenue.

The ROCs scheme lasts for 20 years and the majority of landfill gas sites will see their ROCs scheme terminate in financial year 2027. At this point, the revenue and profit profile of the LFG division will change significantly. Previously, the net book values of LFG sites were amortised over the "end of generation forecast" which represented the estimated life of the gas generation for the site; the average estimated life on LFG sites is 19 years. When reviewing the LFG assets for annual impairment assessment, it was revealed that in the latter years (once ROCs) ends the carrying value of the asset would have been higher than the cashflows generated. As such, management have decided to change the accounting estimate of the useful life of the LFG business to match the ROCs scheme termination dates and therefore amend the amortisation profile to better match the costs of the asset against the principal periods from which the Group will receive future economic benefits. The Group recognised amortisation of £21.5m on LFG sites during the financial year. If the Group had not changed the amortisation profile, the equivalent charge in the year would have been £11.5m.

The Group is managed by type of business and is organised into two operating divisions:

- Collections which encompasses Municipal, Industrial & Commercial and Specialist Services sub-divisions.
- Resources & Energy which consists of Inerts, Organics, Recycling and Landfill Gas sub-divisions.

These operating divisions represent the business segments in which the Group reports its primary segment information and are consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating divisions, has been identified as the Group Executive Team. The activities of the divisions are detailed on pages 36 – 41.

The Group's segmental results are as follows:

	2021 £m	2020 £m
Revenue		
Collections	770.0	870.8
Resources & Energy	272.0	292.3
Statutory Revenue	1,042.0	1,163.1

	2021 £m	2020 £m
Revenue reconciliation		
Statutory Revenue	1,042.0	1,163.1
Landfill Tax	(53.9)	(60.3)
Net Revenue	988.1	1,102.8

	£m	Growth factor
FY20 Net Revenue	1,102.8	
Acquisition revenue growth	13.3	1.2%
Organic revenue growth	(128.0)	(11.6%)
FY21 Net Revenue	988.1	

	2021 £m	2020 £m
Net Revenue split by division		
Collections	770.0	870.8
Resources & Energy	218.1	232.0
Net Revenue	988.1	1,102.8

Revenue within divisions is eliminated on consolidation. Sales between operating divisions are carried out at arm's length. There have been no other material amounts of revenue recognised in the year that relate to performance obligations satisfied or partially satisfied in previous years. Revenue received where the performance obligation will be fulfilled in the future is classified as deferred income or contract liabilities and disclosed in note 16.

All trading activity and operations are in the United Kingdom and there is therefore no secondary reporting format by geographical segment. There is no single customer that accounts for more than 10% of Group revenue (2020: none).

	2021 £m	2020 £m
EBITDA excluding adjusting items		
Collections	109.8	126.4
Resources & Energy	40.7	63.4
Group costs	(12.3)	(15.8)
EBITDA excluding adjusting items	138.2	174.0
Depreciation	(87.2)	(83.5)
Other impairments	(6.8)	–
Operating Profit excluding adjusting items	44.2	90.5
Adjusting items (Note 3)	(33.8)	(4.4)
Amortisation of acquisition intangibles	(27.4)	(16.9)
Impact of real discount rate changes to provisions	(20.6)	4.9
Operating Profit/(Loss)	(37.6)	74.1
Finance income	3.2	3.4
Finance charges	(17.6)	(21.0)
Share of result in joint venture	(0.8)	(0.1)
Profit/(Loss) before taxation	(52.8)	56.4

Group costs represent those components of shared services and corporate costs (including, inter alia, board and corporate costs, finance, HR, IT, legal and insurance, external affairs and SHEQ) that cannot be meaningfully allocated to the operating divisions. EBITDA excluding adjusting items represents the profit earned by each division without allocation of the share of depreciation and amortisation, adjusting items, finance costs, material impacts of changes in real discount rate applied to the Group's long-term provisions and income tax expense. Operating Profit excluding adjusting items recognises the impact of depreciation and amortisation excluding the amortisation of acquisition intangibles. These measures are both reported to the Group Executive Team for the purpose of resource allocation and assessment of division performance.

On 24 February 2021, the Group acquired 100% of the share capital of Company Shop Limited (CSG). Since acquisition to the year end, CSG has generated revenues of £5.8m and a profit before tax of £0.2m. Management estimates that the Group's revenue for FY21 would have been £64.0m higher and the Group's loss would have been £2.2m lower if the acquisition had taken place on the first day of the financial year. For the financial year ending 26 March 2021 the CSG business has been recognised as part of the Collections division. Given the proximity to the Group's financial year end and as permitted by IFRS 3 "Business Combinations", the fair value of identified assets and liabilities acquired have been presented on a provisional basis. The fair value of these assets and liabilities will be finalised within twelve months of the acquisition date.

Going forward into the next financial year, a new division; Specialist Services, will be introduced to recognise the differing operations of CSG plus the existing Specialist Services currently reported in the Collections division.

The adjusting items costs of £81.8m (2020: £16.4m) are disclosed in Note 3.

	2021 £m	2020 £m
Operating profit/(loss) excluding adjusting items		
Collections	49.1	72.2
Resources & Energy	11.8	37.7
Group costs	(16.7)	(19.4)
	44.2	90.5

	2021 £m	2020 £m
Statutory operating profit/(loss)		
Collections	36.0	66.1
Resources & Energy	(43.9)	32.5
Group costs	(29.7)	(24.5)
	(37.6)	74.1

	2021 £m	2020 £m
Tangible asset net book value		
Collections	308.1	320.3
Resources & Energy	194.8	186.7
Shared services and corporate	59.3	20.8
Total	562.2	527.8

Notes to the Consolidated Financial Statements continued

2. Segmental Information continued

	2021 £m	2020 £m
Intangible asset net book value		
Collections	14.8	5.3
Resources & Energy	101.3	122.9
Shared services and corporate	66.4	68.8
Total	182.5	197.0

	2021 £m	2020 £m
Capital expenditure		
Collections	104.9	65.4
Resources & Energy	64.1	48.1
Shared services and corporate	9.6	6.4
	178.6	119.9

Capital expenditure comprises additions to intangible assets and property, plant and equipment including leased assets. The Collections division expenditure includes £71.4m (2020: £3.2m) of acquired assets as detailed in Note 12 and 13.

	2021 £m	2020 £m
Depreciation		
Collections	53.9	54.1
Resources & Energy	28.9	25.7
Shared services and corporate	4.4	3.7
	87.2	83.5
Amortisation		
Collections	4.6	5.4
Resources & Energy	22.8	11.5
Shared services and corporate	–	–
	27.4	16.9
Total Amortisation and Depreciation	114.6	100.4

3. Adjusting Items

Depreciation and amortisation relates to the write down of both intangible and tangible fixed assets over their estimated useful economic lives. Amortisation of acquisition intangibles is disclosed separately in line with the divisional Business Operating Profit excluding adjusting items.

The Group's financial performance is analysed into two components, "business performance excluding adjusting items" and "adjusting items". Business performance excluding adjusting items is used by management to monitor financial performance as it is considered it aids comparability of the reported financial performance year to year. The Group's income statement and segmental analysis separately identify a number of Alternative Performance Measures (APMs) in addition to those reported under IFRS. The Directors believe that the presentation of the results in this way, which is not meant to be a substitute for or superior to IFRS measures, is relevant to an understanding of the Group's business performance trends, financial performance and position. These APMs are also used to enhance the comparability of information between reporting periods and the Group's divisions, to aid the user in understanding the performance of the business. Our APMs and KPIs are aligned to our strategy and together form the basis of the performance measures for remuneration.

Consequently, APMs are consistent with how the business performance is planned and reported internally to the Board and Operating Committees to aid their decision making. Additionally, some of these measures are used for the purpose of setting remuneration targets.

The Group's policy is to exclude items that are considered significant in nature and/or value, not in the normal course of business or are consistent with items that were separately disclosed in prior periods. Treatment as an adjusting item provides users of the accounts with additional useful information to assess the year-on-year trading performance of the Group. Management utilises an exceptional item framework that has been approved by the Board. This follows a three step process which considers the nature of the event, the financial materiality involved and the particular facts and circumstances.

Items of income and expense that are considered by management for designation as adjusting items include items such as significant corporate restructuring costs, acquisition-related costs, write downs or impairments of non-current assets, movements on onerous contract provisions and strategy-related and restructuring costs.

	2021 £m	2020 £m
Adjusting items:		
Acquisition related costs	2.0	1.1
Onerous contracts	10.3	(1.5)
Asset Impairments	21.9	3.8
Strategy related and restructuring costs/(gain)	(0.4)	1.0
	33.8	4.4
Other adjusting items:		
Amortisation of acquisition intangibles	27.4	16.9
Impact of real discount rate changes to provisions	20.6	(4.9)
Total adjusting items	81.8	16.4
Finance charges	–	(1.1)
Taxation impact of adjusting items	(18.7)	(3.5)
	2021 £m	2020 £m
Divisional adjusting items:		
Collections	13.1	6.1
Resources & Energy	55.7	5.2
Group costs	13.0	5.2
	81.8	16.4

Acquisition-related costs

Delivery of the Group's strategy includes investment in acquisitions that enhance the quality of its operations. The exclusion of significant items arising from M&A activity is designed by the Board to align short-term operational decisions with this longer-term strategy. Accordingly, amounts arising on acquisitions are excluded from business performance excluding adjusting items. The £2.0m (2020: £1.1m) of acquisition-related expenditure in the 52 weeks ended 26 March 2021 relates to professional fees and other costs which are directly attributable to acquisitions.

Specified onerous contracts

Onerous contract costs reflect the additional profit and loss movements on three specific legacy contracts that became onerous in prior years due to exceptional circumstances. The Municipal business has a portfolio of contracts which trade profitably and we would not expect any other contracts to be separately reported in the absence of any future external regulatory change. Any utilisation of the provision or cash settlement on those contracts is also treated as adjusting items accordingly. At the point at which a contract is no longer considered to be onerous whether by completion or settlement it is no longer considered to be an adjusting item, and treated as part of business performance before adjusting items. During the period the Group made additional onerous contract provisions for 3 customer contracts on which there were existing onerous contract provisions:

North Somerset – £3.2m

The 7-year contract with North Somerset District Council has been running at a loss since the contract began on 1 March 2017. Previous expectations were that after the initial mobilisation and transformation phases were completed in the first 24 months the contract would generate a profit. This expectation was subsequently revised with the contract expected to remain in a loss-making position throughout its term. As a consequence Biffa and North Somerset District Council have mutually ended the contract.

Mid-Kent Partnership – £3.0m

The contracts with the Mid-Kent Partnership (being Swale, Maidstone & Ashford) have been running at a loss since we delivery began in 2013 and are expected to do so for the remainder of the term. Since reporting FY20 results, the financial performance of the contract has degraded materially, due in the main to the termination of a third party contract for fleet repairs and maintenance, forcing the Group to internalise these costs. The provision for Mid-Kent has therefore been revised to include these additional costs. In arriving at the onerous contract provision for the Mid-Kent Partnership contract, the Group has discounted the future cash flows using a risk free rate of 1.0%. If this rate increased by 500 basis points the provision charge would decrease by £0.4m.

Leicester – £4.1m

The 25-year contract with Leicester City Council is expected to be loss-making for the remainder of the contract term (May 2028). Since March 2020 additional capital costs relating to repairs to the site's infeed plates and digesters have been identified. These have arisen due to unforeseen issues with the machinery in the period and are considered necessary in order to fulfil our obligations under the contract. These additional costs are primarily related to both processing plants that we operate under the contract. In arriving at the onerous contract provision for the Leicester contract, the Group has discounted the future cash flows using a risk free rate of 1.6%. If this rate increased by 500 basis points the provision charge would decrease by £2.1m.

Notes to the Consolidated Financial Statements continued

3. Adjusting items continued

Asset Impairments

Plant, property and equipment impairment

There is an £8.2m one-off cost related to the impairment of the Poplars Anaerobic Digestion plant in the Resources and Energy division. Covid-19 had a significant impact on the hospitality and accommodation sector as well. The lower activity levels and fall in future energy price curves, coupled with a delay in the Government's implementation of the Resource and Waste Management strategy has changed management's assumptions on future gate fees, haulage and productions levels. This has led to impairment of the assets as future value in use is deemed significantly lower than previously expected. In assessing for impairment, the Group has used future energy price curves that take into account the impact of climate change (provided by third party analysts; Baringa and Aurora).

Intangible asset impairment

The Group-wide IT system replacement programme; Project Fusion was also impaired during the period. Due to Covid-19 the programme has experienced significant delays in restarting works causing previously capitalised works to become obsolete. Management have also reviewed the scope and requirements of the IT replacement programme and identified an incompatibility of the current HR module. A strategic decision to cease the full project was made and replan the programme subsequent to the integration of the Viridor acquisition. As a result, obsolete capitalised work of £13.7m has been written off in the year.

Strategy-related and restructuring costs

Strategy-related costs of £2.4m arise from Group-wide initiatives to reduce the ongoing cost base and improve efficiency in the business. These costs are substantial in scope and impact, and do not form part of activities that the Directors would consider part of our operational performance. Adjusting for these charges provides a measure of operating profitability that is comparable over time. Within the strategy-related costs is £1.6m relating to Project Fusion which do not qualify for capitalisation.

Included within strategy-related items is a £2.8m gain resulting from Biffa's sale of a 25% right to participate in the Protos Project to Covanta UK for £3.0m, net of £0.2m transactions costs. Covanta UK's equity interest is shared with Green Investment Group Limited and their joint 75% equity interest is held through Covanta Green Protos Holding Limited

Amortisation of acquisition intangibles

Amortisation of acquisition intangibles represents the amount amortised by the Group in each period in respect of intangibles from prior acquisitions, which amounts are reported separately from the Group's depreciation and amortisation charges. The charges are reported separately and performance of the acquired business is assessed as part of the Group's operational results excluding adjusting items. The Group uses this alternative performance measure (APM) to improve the comparability of information between reporting periods and its divisions to aid the user of the Annual Report in understanding the activities taking place across the Group's portfolio.

Impact of real discount rate changes to long term provisions

Impact of real discount rate changes to long term provisions reflects the impact on provisions which arises wholly due to the change in discount rate on provisions as this is not reflective of operational performance.

Other performance measures

In addition to the Adjusting items disclosed above, the Group uses Return on Operating Assets and Return on Capital Employed as performance measures. These are aligned to the strategy and are reported internally to the Board and Operating Committees to aid their decision making. These are calculated as below:

	2021 £m	2020 £m
Return on Operating Assets		
Operating Profit excluding adjusting items ¹	44.2	90.5
Average of property, plant and equipment ²	545.0	514.0
Average net working capital ³	(58.8)	(46.7)
Total average of property, plant and equipment plus net working capital	486.2	467.3
Return on Operating Assets⁴	9.1%	19.4%

1 Profit/(loss) excluding adjusting items, finance costs and taxation.

2 Average of opening and closing net book value of property, plant and equipment.

3 Average balance in 2021 and 2020 of the closing net of inventories, trade and other receivables, trade and other payables, contract assets and contract liabilities.

4 Return on Operating Assets is determined by Operating Profit/(Loss) excluding adjusting items divided by the average of opening and closing PP&E plus net working capital.

	2021 £m	2020 £m
Return on Capital Employed		
Operating profit/(loss)	(37.6)	74.1
Adjusting items excluding amortisation of acquisition intangibles (Note 3)	54.4	(0.5)
Adjusted operating profit	16.8	73.6
Average of shareholders' equity ¹	434.4	385.6
Average net debt ²	482.5	477.3
Average retirement benefits ³	(118.4)	(101.8)
Average environmental provisions ⁴	63.8	62.0
	862.3	823.1
Average Return on Capital Employed⁵	1.9%	8.9%

1 Average of opening and closing shareholders' equity.

2 Net debt comprises the average net debt in 2021 and 2020 (Note 26).

3 Retirement benefits comprises the average retirement benefits in 2021 and 2020 (note 28)

4 Environmental provisions comprises the average in environmental provisions in 2021 and 2020 (note 20)

5 Return on Capital Employed is determined by Operating Profit excluding adjusting items less amortisation of acquisition intangibles divided by the average of opening and closing shareholders' equity, Net Debt (including lease liabilities), pensions and environmental provisions

4. Finance Income and Charges

	2021 £m	2020 £m
Finance charges		
Interest on bank overdrafts, bonds and loans	(6.7)	(11.0)
Interest on obligations under lease liabilities	(8.5)	(8.4)
Interest unwind on discounted provisions	(1.8)	(1.6)
Interest on forward contracts	(0.6)	–
Total finance charges	(17.6)	(21.0)
Interest income	0.1	1.4
Interest on net retirement benefit (pension)	3.1	2.0
Finance income	3.2	3.4
Net finance charges	(14.4)	(17.6)

	2021 £m	2020 £m
Finance charges recognised in adjusting items (Note 3):		
Fair value discount unwind on EVP preference instrument	–	1.1

5. Profit/(Loss) Before Taxation

	2021 £m	2020 £m
The following items have been included in arriving at the pre-tax profit/(loss):		
Employee costs (Note 6)	294.5	292.4
Cost of inventories recognised in expense	54.1	55.3
Defined benefit obligation expense/(income)	3.3	(1.2)
Depreciation of property, plant and equipment		
▪ Owned assets	37.6	36.3
▪ Assets held under lease liabilities	49.6	46.3
Amortisation of intangible assets		
▪ Acquisition intangibles (Note 2)	27.4	16.9
▪ Other intangibles	1.2	1.0
Expense/(income) relating to short-term leases and leases of low-value assets:		
▪ Plant and machinery	16.5	17.1
▪ Other	2.0	0.7
Income from sub-leasing right-of-use assets	(3.3)	(2.2)
Loss on disposal of property, plant equipment and intangible assets	0.3	1.0
Expected credit (gain)/loss recognised	(0.3)	2.2

Operating costs excluding adjusting items have been split into administration and distribution costs as detailed below:

	2021 £m	2020 £m
Operating costs		
Distribution costs	18.8	20.1
Administrative expenses	38.6	39.8
	57.4	59.9

6. Employees and Directors

The average monthly number of persons (including Executive Directors) employed by reporting division, by the Group during the period was:

	2021 Number	2020 Number
By division		
Collections	6,973	6,989
Resources & Energy	867	788
Shared services and corporate	398	368
	8,238	8,145

Notes to the Consolidated Financial Statements continued

6. Employees and Directors continued

	2021 £m	2020 £m
Their aggregate remuneration comprised:		
Wages and salaries	257.7	254.7
Social security costs	24.5	24.2
Other pension costs	10.4	12.3
Redundancy and termination payments	1.9	1.2
	294.5	292.4

In the period, the Group also received £12.0m in furlough payments from HMRC as part of the Coronavirus Job Retention scheme. These payments have been netted off against respective salary and wage costs.

The remuneration of the Directors is set out on pages 105 – 123 within the Directors' Report on Remuneration described as being audited and forms part of these Financial Statements.

Key management compensation

	2021 £m	2020 £m
Their aggregate remuneration comprised:		
Wages and salaries	1.9	2.2
Social security costs	0.7	1.1
Other pension costs	0.3	0.3
Long-term incentives	0.7	2.5
Short-term incentives	–	1.4
	3.6	7.5

Key management personnel have been defined as the Group Executive Team.

7. Auditor's Remuneration

The analysis of the Company and Biffa Group's auditor's remuneration is as follows:

	2021 £m	2020 £m
Fees payable to the Company's auditor for the audit of the Company's Consolidated annual Financial Statements	0.7	0.6
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	0.4	0.3
Total audit fees	1.1	0.9
Audit-related assurance services	0.1	0.1
Total audit and non-audit fees	1.2	1.0

The other assurance services provided by the auditor related to agreed upon procedures and other assurance services outside of statutory requirements.

8. Income Tax Recognised in Profit or Loss

	2021 £m	2020 £m
Current tax		
Adjustment in respect of prior years	(0.2)	0.1
	(0.2)	0.1
Deferred tax		
Origination and reversal of temporary differences	(8.7)	11.4
Adjustment in respect of prior years	(3.4)	(0.8)
Adjustment attributable to changes in tax rates and laws	–	0.1
	(12.1)	10.7
Total tax (credit)/charge	(12.3)	10.8

Corporation tax is calculated at 19% (2020: 19%) of the estimated assessable profit for the period. The charge for the period can be reconciled to the profit per the consolidated income statement as follows:

	2021		
	Business performance excluding adjusting items £m	Adjusting items £m	Total £m
Profit/(Loss) before tax	29.0	(81.8)	(52.8)
Profit/(Loss) on ordinary activities multiplied by the standard rate of corporation tax in UK of 19% (2020: 19%)	5.5	(15.5)	(10.0)
Effects of:			
Over provision in respect of prior years	–	(3.6)	(3.6)
Expenses not deductible for tax purposes	1.0	0.4	1.4
Non-taxable income	(0.1)	–	(0.1)
Total taxation	6.4	(18.7)	(12.3)

	2020		
	Business performance excluding adjusting items £m	Adjusting items £m	Total £m
Profit before tax	71.7	(15.3)	56.4
Profit/(Loss) on ordinary activities multiplied by the standard rate of corporation tax in UK of 19% (2019: 19%)	13.6	(2.9)	10.7
Effects of:			
Expenses not deductible for tax purposes	0.8	–	0.8
Non-taxable income	(0.1)	–	(0.1)
Effect of change in tax rate	–	(0.6)	(0.6)
Total taxation	14.3	(3.5)	10.8

In addition to the amount credited to the consolidated income statement, the following amounts have been credited/(charged) directly to equity:

	2021 £m	2020 £m
Deferred tax (charge) arising on actuarial (gains)/losses	(4.1)	(8.3)
Deferred tax (charge) arising on share-based payments	(1.5)	(0.2)
Total deferred tax charged directly to equity	(5.6)	(8.5)

In the March 2021 Budget the UK Government announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023. As the changes had not been substantively enacted at the balance sheet date, the deferred tax balances as at 31 March 2021 continue to be measured at a rate of 19%. If the 25% tax rate had been used at the balance sheet date, the deferred tax liability would have been £3.2m higher. The UK have introduced various stimulus/relieves for businesses to cope with the impact of Covid-19 pandemic. We will monitor as the details become available for any that may materially impact our future tax charges.

9. Earnings per Share

Basic Earnings per Ordinary Share are based on the Group profit for the year and a weighted average of 294,645,659 (2020: 248,667,118) Ordinary Shares in issue during the year.

Earnings excluding adjusting items per Ordinary Share figure has been presented to eliminate the effects of adjusting items, amortisation of acquisition intangibles and the impact of the change in the real discount rate to long-term provisions. The presentation shows the trend in Earnings per Ordinary Share that is attributable to the trading activities of the Group excluding adjusting items. The reconciliation between these figures for the Group is as follows:

	2021		2020	
	£m	Earnings per Share pence	£m	Earnings per Share pence
Profit/(Loss) attributable to owners of parent Company for basic Earnings per Share calculation	(40.5)	(13.7)	45.6	18.3
Adjusting items (Note 3)	63.1	21.4	11.8	4.8
Business Earnings excluding adjusting items	22.6	7.7	57.4	23.1

Notes to the Consolidated Financial Statements continued

9. Earnings per Share continued

	2021 £m	2020 £m
Total number of weighted Ordinary Shares	297.8	250.0
Shares held in employee benefit trust in respect of share options	(3.2)	(1.9)
Weighted average number of Ordinary Shares for the purposes of basic Earnings per Share	294.6	248.1
Effect of dilutive potential Ordinary Shares:		
Impact of share options	7.2	6.5
Weighted average number of Ordinary Shares for the purposes of diluted Earnings per Share	301.8	254.6

10. Acquisitions

52 weeks ended 26 March 2021

On 1 September 2020, the Group acquired the trade and assets, including vehicles, wheelie bin and rear end load (REL) commercial services, from Donald Ward Limited. The acquisition is in line with the Group's growth strategy and complements the current operations of the Collections division.

On 8 October 2020, the Group acquired 100% of the share capital of Camo Ltd (which trades under the name of Simply Waste) and this included dormant subsidiaries Simply Waste Limited and Simply Cups Limited. The Simply Waste brand is a prominent, well-regarded operator in the south of England. Its operational locations in west London, Oxfordshire and Bristol align well with Biffa's existing portfolio, and once merged into the Collections network will result in an enhanced customer proposition and a lower-carbon, more efficient collection network. Since acquisition to the end of the financial year, Camo Ltd has generated revenues of £11.8m and a profit before tax of £0.9m. Management estimates that the Group's revenue for FY21 would have been £12.0m higher and the Group's loss would have been £1.0m lower if the acquisition had taken place on the first day of the financial year.

On 24 February 2021, the Group acquired 100% of the share capital of Company Shop Limited (CSG). CSG is the UK's leading and largest re-distributor of surplus food and household products. It prevents waste by identifying surplus produce and then collecting, processing and redistributing it for sale through its unique network of membership-based outlets. Surplus produce includes production overruns, trial products, or produce that has been incorrectly labelled or packaged, which without intervention would be destined to become waste. Since acquisition to the end of the financial year, CSG has generated revenues of £5.8m and a profit before tax of £0.2m. Management estimates that the Group's revenue for FY21 would have been £64.0m higher and the Group's loss would have been £2.2m lower if the acquisition had taken place on the first day of the financial year.

All acquisitions in the year are part of the Collections division. At the end of the financial year the Group did not anticipate any of the trade and other receivables within Camo Ltd or Company Shop Limited to be irrecoverable.

The preliminary amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	Company Shop Group £m	Camo Ltd £m	Donald Ward Limited £m	Total £m
Property, plant and equipment	31.8	14.7	0.7	47.2
Intangible assets	8.2	15.1	0.9	24.2
Trade and other receivables	2.9	4.6	–	7.5
Inventory	3.8	–	–	3.8
Cash and cash equivalents	9.1	6.9	–	16.0
Deferred tax (liability)/asset	(6.3)	(4.9)	(0.3)	(11.5)
Trade and other payables	(14.2)	(6.0)	–	(20.2)
Borrowings	(14.1)	(16.0)	(0.5)	(30.6)
Total net assets	21.2	14.4	0.8	36.4
Goodwill	72.0	18.3	1.8	92.1
Total consideration	93.2	32.7	2.6	128.5
Satisfied by:				
Cash	86.0	31.0	2.1	119.1
Deferred consideration	2.2	1.7	–	3.9
Contingent consideration*	5.0	–	0.5	5.5
Total consideration transferred	93.2	32.7	2.6	128.5
Net cash outflow arising on acquisition:				
Cash consideration	86.0	31.0	2.1	119.1
Less: cash and cash equivalent balances acquired	(9.1)	(6.9)	–	(16.0)
	76.9	24.1	2.1	103.1

* Management expects that there will be a further deferred/contingent consideration due based on performance of the acquired businesses:

	Company Shop Group £m	Camo Ltd £m	Donald Ward Limited £m	Total £m
Maximum contingent cash payable	5.0	9.2	2.0	18.4
Management estimate of contingent cash consideration	5.0	–	0.5	5.5
Performance criteria	profit of stores	revenue targets	revenue targets	
Determination period	Oct 2021	June 2021	May 2021	

The contingent consideration is deemed to be at fair value and will be settled in cash within the next twelve months.

The acquisition of CSG occurred on 24 February 2021. Given the proximity to the Group's financial year end and as permitted by IFRS 3 "Business Combinations", the fair value of identified assets and liabilities acquired have been presented on a provisional basis. The fair value of these assets and liabilities will be finalised within twelve months of the acquisition date.

The Group expects future performance of the acquisitions to exceed the goodwill consideration. On CSG, net profit margins would have to decrease by 350 basis points for there to be no headroom on the goodwill compared to its value in use. For each additional 100 basis points decrease in net profit margins a further £11m impairment would occur.

Acquisition-related costs included in adjusting items amount to £2.0m.

11. Goodwill

	Total £m
Cost:	
As at 30 March 2019	128.7
Purchase price adjustment	1.3
Additions	2.7
As at 27 March 2020	132.7
Additions	92.1
As at 26 March 2021	224.8
Amortisation:	
As at 30 March 2019	(0.5)
As at 27 March 2020	(0.5)
As at 26 March 2021	(0.5)
Net book amount:	
As at 27 March 2020	132.2
As at 26 March 2021	224.3
	2021 £m
By division	
Collections	180.7
Resources & Energy	43.6
	224.3
	2020 £m
	92.9
	39.3
	132.2

The Group reviews at each reporting period whether there are any indicators of impairment in accordance with IAS 36 Impairment of Assets. An annual impairment review is completed by comparing the carrying amount of the goodwill for each operating division to its recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and its value in use. If the recoverable amount is less than the carrying amount, an impairment loss is allocated first to reduce the carrying amount of the goodwill and then to the assets of the operating division.

The key assumptions when calculating the value in use are forecast revenue and costs. Management's calculation of value in use has been developed from forecast five-year cash flows which are prepared on the basis of past performance, expectation of future performance and market information and a consistent growth rate thereafter, based on the underlying assets of each division.

The valuation of goodwill allocated to the Resources & Energy division has headroom of £92.8m at the end of the financial year.

The valuation of goodwill allocated to the Collections division has headroom of £323.6m at the end of the financial year.

The annual growth rate assumption for both of the Group's divisions beyond the five-year plan period, based on market trends, after adjustment for assumed inflation, is 2.0% (2020: 2.0%). These assumptions are considered appropriate based on the long-term nature of the business. These forecasts are adjusted to the extent that events since they were developed (the impact of Covid-19) indicate that they may no longer be relevant. A pre-tax discount rate of 8.25% (2020: 9.01%) was applied across all cash-generating units as the inherent risks have been included in the divisional cash flow forecasts. No reasonably foreseeable change in the assumptions used in the value in use calculations would cause an impairment to any of the Collections or Resources & Energy cash-generating units.

Notes to the Consolidated Financial Statements continued

12. Other Intangible Assets

	Landfill gas rights £m	IT development £m	Brand £m	Customer contracts £m	Total £m
Cost:					
As at 30 March 2019	190.2	19.4	36.7	64.2	310.5
Acquired through business combination	–	–	0.3	2.2	2.5
Additions	–	3.8	–	–	3.8
Compensation	–	(4.4)	–	–	(4.4)
Disposals	–	(0.4)	–	–	(0.4)
As at 27 March 2020	190.2	18.4	37.0	66.4	312.0
Acquired through business combination	–	–	8.2	16.0	24.2
Additions	–	4.0	–	–	4.0
Impairments	–	(13.7)	–	–	(13.7)
Disposals	–	(0.4)	–	–	(0.4)
As at 26 March 2021	190.2	8.3	45.2	82.4	326.1
Accumulated amortisation:					
As at 30 March 2019	(58.1)	(2.0)	(1.2)	(36.2)	(97.5)
Charge for the period	(10.2)	(0.9)	–	(6.8)	(17.9)
Disposals	–	0.4	–	–	0.4
As at 27 March 2020	(68.3)	(2.5)	(1.2)	(43.0)	(115.0)
Charge for the period	(21.5)	(1.2)	–	(5.9)	(28.6)
Disposals	–	–	–	–	–
As at 26 March 2021	(89.8)	(3.7)	(1.2)	(48.9)	(143.6)
Net book amount:					
As at 26 March 2021	100.4	4.6	44.0	33.5	182.5
As at 27 March 2020	121.9	15.9	35.8	23.4	197.0

All amortisation charges are recognised in profit or loss. Included within IT development costs are internally generated assets with a net book value of £1.7m (2020: £14.1m). The amortisation charge in relation to these assets was £0.9m (2020: £0.9m).

Given the significant investment in technology and IT development, the Group undertakes a review of the remaining useful lives of assets each year and impairs where necessary those that are superseded by new technology. The key estimates underpinning the value in use for IT projects is the forecast costs. During the year, £13.7m of IT development costs relating to Project Fusion was impaired (see note 3 for further details).

Within the Resources & Energy division the landfill gas sub-division has been forecast to the end of FY27 which reflects the end of the ROCs. ROCs accounts for 51% of the Landfill gas sub-division's revenue and therefore management foresee that beyond FY27 there will be uncertainty around continuation of the Landfill gas sub-division. On landfill gas rights, there is headroom of £2.0m between the value in use and the net book value. The key assumptions in determining the value in use of the landfill gas rights involve forecast energy prices (including the impact of climate change to these prices), discount rates and useful economic life of the underlying assets in the business. During the year, the Group revised the useful economic life of the landfill gas sub-division; see page 152 for further details.

The export energy prices at the end of FY21 was £51.27 and assumed to be £58.62 by the end of FY27. The reasonable worst case scenario of a fall of 5% in future energy prices beyond FY27 would lead to a decrease in the shortfall in the headroom of £0.6m.

An increase of 100 basis points in the discount rate would lead to a shortfall in the headroom of £2.0m.

IFRS 3 requires that on acquisition, intangible assets are recorded at fair value. The Biffa brand was first created in the early 20th century and has been used throughout the Group since then. It remains a highly recognisable brand. Given the longevity of the brand, the Directors consider the asset to have an indefinite life. The Directors reconsider the valuation of the brand at each reporting date. The recognition of brand and landfill gas rights as intangible assets initially arose during the fair value exercise undertaken following the acquisition of the Biffa Group by Wasteholdco 1 in 2008. The values were subsequently remeasured following the restructuring of the Group in 2013.

13. Property, Plant and Equipment

	Land and buildings £m	Landfill Sites £m	Plant, vehicles and equipment £m	Assets under construction ² £m	Total £m
Cost:					
As at 30 March 2019	75.7	83.9	331.7	3.9	495.2
Adoption of IFRS 16	129.6	–	5.3	–	134.9
Additions	11.6	4.7	76.9	19.6	112.8
Acquired through business combination	–	–	0.7	–	0.7
Disposals	(2.1)	–	(42.3)	–	(44.4)
Reclassifications ¹	–	(0.2)	–	–	(0.2)
As at 27 March 2020	214.8	88.4	372.3	23.5	699.0
Additions	30.1	2.1	38.7	18.0	88.9
Acquired through business combination	25.8	–	35.7	–	61.5
Disposals	(1.6)	–	(43.8)	–	(45.4)
Lease modifications	(1.3)	–	–	–	(1.3)
Reclassifications ¹	(0.1)	2.9	15.4	(15.3)	2.9
As at 26 March 2021	267.7	93.4	418.3	26.2	805.6
Accumulated depreciation:					
As at 30 March 2019	(19.2)	(47.1)	(63.5)	–	(129.8)
Purchase price adjustment	–	–	(1.5)	–	(1.5)
Charge for the period	(16.5)	(4.9)	(61.2)	–	(82.6)
Disposals	1.0	–	41.6	–	42.6
As at 27 March 2020	(34.7)	(52.0)	(84.6)	–	(171.3)
Acquired through business combination	(0.7)	–	(13.6)	–	(14.3)
Charge for the period	(17.6)	(4.3)	(65.3)	–	(87.2)
Impairments	(2.1)	–	(11.6)	(1.0)	(14.7)
Lease modifications	0.2	–	–	–	0.2
Disposals	1.6	–	42.3	–	43.9
As at 26 March 2021	(53.3)	(56.3)	(132.8)	(1.0)	(243.4)
Net book amount:					
As at 26 March 2021	214.4	37.1	285.5	25.2	562.2
As at 27 March 2020	180.1	36.4	287.7	23.5	527.7

1 Reclassifications relate to Landfill sites includes £8.8m (2020: £6.7m) in relation to future economic benefit to be derived as a result of actively fulfilling aftercare obligations that results in gas generation. Landfill site additions include £2.9m (2020: credit of £0.2m) in relation to the future economic benefit to be derived as a result of actively fulfilling aftercare obligations that results in gas generation. When the obligation recognised as a provision gives access to future economic benefits, an asset in property, plant and equipment is recognised. Changes in the provision arising from revised estimates that relate to the asset are recorded as adjustments to the carrying value of the asset. When the carrying value of the asset is negative, these are classified to provisions.

2 Assets under construction has been split out in the FY21 disclosure note to aid better understanding of the plant, property and equipment balance. Previously these amounts were part of the plant, vehicles and equipment category.

The Poplars anaerobic digestion plant (Poplars AD) operates within the Organics sub-division or Resource and Energy. As a result of Covid-19, the hospitality and accommodation sector experienced materially lower activity. Coupled with inevitable delays in the Government's implementation of the Resource and Waste Management strategy (including the progressing of segregated food waste collection), the Poplars business experienced reduced gate fees, production levels and higher haulage costs. Management deemed these as potential impairment indicators of the business and performed an impairment test on the assets held by the Poplars AD. As a result, the assets of Poplars AD were impaired by £8.2m.

As at the 26 March 2021 the Poplars AD had a value in use of £10.8m versus gross segmental assets of £9.5m. The discounted future cashflows therefore give a headroom of £1.2m at the end of the financial year. Given the current uncertainty on future energy prices and the relatively small headroom, management have not reversed the impairment previously recognised in Poplars AD assets earlier in the year. Based on third party reports, the Group has assumed the market price for food waste at the end of FY27 to be £20/te. If the Poplars AD energy price remained flat at £48/MWh this would reduce value in use by £3.0m resulting in an impairment of £1.8m. The ROC recycle benefit has been modelled at £6.07, if this was £5 per ROC, it would reduce the value in use by £1m. If the discount rate increased by 100 basis points this would reduce the value in use by £1.0m. The adverse movements described above are management's view of a reasonable worst case scenario when assessing the value in use of the Poplars AD assets in aggregate these scenarios would lead to an impairment of £3.8m.

The two integrated waste management contracts as detailed in note 34 have also only been forecast to the end of the contract life with zero terminal value on the basis that the asset ownership reverts to the respective County Councils.

Notes to the Consolidated Financial Statements continued

13. Property, Plant and Equipment continued

The valuation of certain assets within the landfill gas and organics sub-divisions within the Resource and Energy division are sensitive to a number of assumptions: the value in use is considered to be most sensitive to changes on future ROC Recycle price, market prices for food waste, export energy prices, climate change impacts, the growth rate and discount rates. The assumptions have been calculated based on external market reports within the 5 year plan period. Beyond the 5 year plan period the assumptions have been inflated using the Group's assumed growth rate of 2% with the exception of landfill gas which uses 3%.

The above sensitivity analyses considers each assumption and related reasonable worst case scenario in isolation. The commercial reality is that typically there will be mitigating operating factors that would offset the above impact in instances where the reasonable worst case scenario is realised.

Land and buildings and landfill sites at net book amount comprise:

	2021		2020	
	Land and buildings £m	Landfill sites £m	Land and buildings £m	Landfill sites £m
Freehold	39.1	14.7	36.0	15.0
Long leasehold	52.8	14.3	40.3	13.4
Short leasehold	122.5	8.1	103.8	8.0
	214.4	37.1	180.1	36.4

As at 26 March 2021 the Group had entered into contractual commitments for the acquisition of plant, property and equipment amounting to £6.6m (2020: £7.9m).

Right of Use Assets

The Group records its right of use assets within property, plant and equipment. The Group leases assets including buildings and plant and equipment. The average lease term is 13.4 years (2020: 4.5 years). The Group has options to purchase certain plant and equipment for a nominal amount at the end of the lease term. The Group's obligations are secured by the lessors' title to the leased assets for such leases.

The carrying amount of the Group's total right-of-use assets included within Property, Plant and Equipment are analysed as follows:

	Land and buildings £m	Plant, vehicles and Equipment £m	Total £m
Carrying Value			
As at 30 March 2019	2.1	132.2	134.3
Adoption of IFRS 16	129.6	5.3	134.9
Additions	9.0	41.8	50.8
Depreciation charge for the period	(12.5)	(33.8)	(46.3)
Disposals	(1.1)	(0.1)	(1.2)
As at 27 March 2020	127.1	145.4	272.5
Acquired through business combination	19.1	4.5	23.6
Additions	41.6	18.3	59.9
Depreciation charge for the period	(14.0)	(35.6)	(49.6)
Disposals	–	(1.3)	(1.3)
Lease modifications	(1.2)	–	(1.2)
Impairment of assets	–	(1.3)	(1.3)
Transfer to owned assets after lease expiry	–	(6.6)	(6.6)
As at 26 March 2021	172.6	123.4	296.0
Net book amount:			
As at 26 March 2021	172.6	123.4	296.0
As at 27 March 2020	127.1	145.4	272.5

14. Inventories

	2021 £m	2020 £m
Raw materials and consumables	1.3	1.8
Finished goods	21.0	14.3
	22.3	16.1

Inventories are stated at the lower of cost and net realisable value.

Inventories consumed in the period ended 26 March 2021 were £54.1m (2020: £55.3m). Inventory written down in the period totalled £nil (2020: £nil). Reversals of inventory previously written down in the period were £nil (2020: £nil).

At the end of the financial year £3.8m of inventory held by the Group related to Company Shop Group.

15. Trade and Other Receivables

	2021 £m	2020 £m
Amounts falling due within one year		
Trade receivables	115.8	139.4
Less expected credit loss allowance	(4.6)	(4.3)
Trade receivables – net	111.2	135.1
Other debtors	1.5	3.2
Prepayments	28.4	24.1
Prepaid landfill provision expenditure	0.2	2.9
	141.3	165.3

All amounts included within other debtors and prepayments are due within one year. The movement in prepayments relate to the timing of payments to suppliers. Trade receivables are non-interest bearing. Due to their short maturities, the fair value of trade and other receivables approximates to their book value. The average credit period taken on invoices was 33 days (2020: 38 days).

Credit limits for new customers are assigned based on the potential customer's credit quality. An external credit scoring system is used before assigning any credit limit over £500. Management monitors the utilisation of credit limits regularly. The trade receivables balance consists of a large number of customer balances, represented largely by local account customers, and there is no significant concentration of credit risk.

Included in the Group's trade receivables balances are debts with a carrying amount of £9.6m (2020: £21.1m) which are past due at the reporting date.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. None of the trade receivable that have been written off is subject to enforcement activities.

The following table details the risk profile of trade receivables. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not distinguished between the Group's type of customer.

	Expected credit loss rate %	Lifetime expected credit loss
As at 26 March 2021		
Trade receivables – days past due		
1 to 30 days	1%	0.3
31 to 60 days	1%	0.1
61 to 90 days	1%	0.1
91 to 120 days	50%	–
Over 120 days	50%	0.1
	Expected credit loss rate %	Lifetime expected credit loss
As at 27 March 2020		
Trade receivables – days past due		
1 to 30 days	1%	0.3
31 to 60 days	1%	–
61 to 90 days	1%	–
91 to 120 days	50%	0.5
Over 120 days	50%	1.5

The allowance for ECL includes individually impaired trade receivables which are in excess of 120 days overdue, in liquidation or are the subject of legal action. The ECL recognised represents the difference between the carrying amount of these trade receivables and the present value of any expected recoveries.

The following table shows the movement in ECL that has been recognised in trade and other receivables in accordance with the simplified approach set out in IFRS 9.

	2021 £m	2020 £m
Movement in expected credit losses		
Balance at the beginning of the period	4.3	2.1
Impairment losses recognised	0.6	0.2
Amounts recovered during the period	0.6	1.4
Amounts written off as uncollectable	(1.4)	(1.4)
Expected credit losses in relation to increase in credit risk	0.5	2.0
	4.6	4.3

The Directors consider that the carrying amount of trade receivables approximates their fair value.

Notes to the Consolidated Financial Statements continued

15. Trade and Other Receivables continued

Long-term receivables

	2021 £m	2020 £m
Amounts falling due after more than one year		
Funds on long-term deposit	2.2	2.2
Prepayment in respect of EVP Dispute (Note 33)	63.6	63.6
	65.8	65.8

The Group is engaged in a dispute with HMRC in relation to the Landfill Tax treatment of certain materials used in the engineering of landfill sites from September 2009 to May 2012. Prior to the IPO, the Group had hardship relief which meant payment was not required to be made to HMRC. Subsequent to the IPO the Group pre-paid the disputed amount to HMRC as disclosed in Note 33.

In determining the expected credit losses for these long-term receivables, the Directors have taken into account the historical default experience and financial position of the counterparties. No expected credit loss has been recognised on the basis that the counterparties are HMRC and A-rated financial institutions.

16. Assets and liabilities related to contracts with customers

The Group has recognised the following contract assets and liabilities related to contracts with customers:

	2021 £m	2020 £m
Current contract assets	50.6	56.2
Current contract liabilities	(19.6)	(17.8)

The timing of payments received from customers, relative to the recording of revenue, can have a significant impact on the contract-related assets and liabilities recorded on the Group's Statement of Financial Position. Contract liability is what was previously referred to as deferred income under IAS 18. Included within contract liability is £0.6m (2020: £0.1m) in relation to Government grants which will be recognised in less than one year.

Revenue is measured based on the considerations specified in the contract with a customer and is recognised when the performance obligations of the contract have been fulfilled. Revenue is recognised at a point in time, for example when transferring control either of a product or service to a customer, or over time. Revenue is recognised over time when the customer simultaneously receives and consumes the goods or services or when there is an enforceable right to payment for performance completed to date. For each obligation satisfied over time, the Group applies a revenue recognition method that accurately reflects performance in transferring control of the services to the customer.

As detailed in note 1, the Group has various streams of revenue and the method of revenue recognition will vary dependent on the nature of the service. For Municipal and Collection services, revenue is recognised over time when the customer simultaneously receives and consumes the goods or services or when there is an enforceable right to payment for performance completed to date. For each obligation satisfied over time, the Group applies a revenue recognition method that accurately reflects performance in transferring control of the services to the customer. For all other services, revenue is measured based on the considerations specified in the contract with a customer and is recognised when the performance obligations of the contract have been fulfilled. Revenue is recognised at a point in time, for example when transferring control either of a product or service to a customer, or over time.

The contract assets primarily relate to the Group's right to consideration for work completed but not invoiced at the Statement of Financial Position date. The contract assets are transferred to trade receivables when the amounts are agreed by the customer. On most contracts, certificates and agreement is by the customer on a monthly basis. All contract assets held at 26 March 2021 are expected to be invoiced and transferred to trade receivables within the next 12 months.

None of the contract assets at the end of the reporting period are past due, and, taking into account the historical default experience and the future prospects in the industry, the directors consider that no contract assets are impaired.

The contract liabilities primarily relate to the advance consideration received from customers in respect of performance obligations which have not yet been fully satisfied and for which revenue has not been recognised. All contract liabilities held at 26 March 2021 are expected to satisfy performance obligations in the next 12 months.

17. Cash and Cash Equivalents

	2021 £m	2020 £m
Cash at bank and in hand	27.0	53.6
Short-term deposits	3.8	34.2
Balance at the end of the period	30.8	87.8

Deposits comprise £nil (2020: £25.0m) of funds on overnight deposit via a Group cash pooling facility and an insurance deposit of £3.8m (2020: £9.2m) which represents cash held as security for self-insurance obligations. Included within the total cash balance is £4.1m (2020: £12.0m) which cannot be accessed by the Group as it is held as collateral against insurance liabilities by Bray Insurance Company Limited, which is the Group's captive insurance company.

18. Financial Instruments

	2021 £m	2020 £m
Assets held at amortised cost		
Liquidity fund ¹	8.7	3.3
	8.7	3.3

1 Current investments held by Bray Insurance Company Limited, the Group's captive insurance company.

Derivative financial instruments

The derivatives that the Group has entered into qualify for hedge designation as cash flow hedges under IFRS 9. All cash flow hedges were deemed to be fully effective and therefore movements in fair value were all recognised within the hedge reserve.

The Group has entered into forward foreign exchange rate contracts which all mature within one year; these forwards will be used by the Group to hedge Euro currency payments for the export of Refuse Derived Fuel (RDF). The forward foreign exchange contracts have resulted in the recognition of a derivative liability of £0.3m (2020: asset of £0.4m).

During the year the Group has also entered into interest rate swaps which mature in line with the Group's revolving credit facility (RCF). The fair value of forward foreign exchange contracts and interest rate swaps are calculated by discounting the contracted forward values and translating at the balance sheet rates. The overall position of the interest rate swaps was a net liability of £2.7m at the end of the financial year.

The Group also has commodity swaps to hedge against future movements in fuel prices. At the end of the financial year these hedges were in a liability position of £0.6m.

The fair value measurements of derivatives are classified as Level 2 in the fair value hierarchy as defined by IFRS 13 Fair Value Measurement, as the inputs are from observable quoted exchanges.

The fair value and the notional amounts are as follows:

	2021		2020	
	Fair value £m	Notional £m	Fair value £m	Notional £m
Forward foreign exchange contracts	(0.3)	6.2	0.4	10.9
Interest rate swaps	(2.7)	150.0	(1.6)	200.0
Commodity hedges	(0.6)	22.4	–	–
	(3.6)	178.6	(1.2)	210.9

Borrowings

	2021		2020	
	Book value £m	Average interest rate %	Book value £m	Average interest rate %
Current				
Lease liabilities	54.7	3.0%	43.6	4.4%
Non-current				
Lease liabilities	229.0	3.0%	214.4	4.4%
Bank loans	197.6	2.8%	249.0	2.6%
EVP preference instrument	47.6	–	47.6	5.5%
	474.2		511.0	
	528.9		554.6	

	2021 £m	2020 £m
Bank borrowings including leases	481.3	507.0
EVP preference instrument	47.6	47.6
	528.9	554.6

At 26 March 2021 the Group has an undrawn revolving credit facility (RCF) of £150m, (2020: £98m). Due to the nature of the RCF and continued repayments and drawdowns, the cash flows were presented on a net basis in the Statement of Cash Flows.

In the year ended 24 March 2017 certain pre-IPO lenders were issued with preference share capital in Wasteholdco 1 Limited in exchange for settlement of amounts due to them. In the event that the Group is successful in its EVP case (see Note 33) with HMRC, the EVP preference shareholders will be entitled to certain funds recovered from HMRC by the Company.

The Directors consider it likely that the Group will be successful in the case and accordingly have recognised a liability in respect of the EVP preference shares. In the event that the Group is unsuccessful in the EVP proceedings and does not recover the amount prepaid to HMRC, the Group expects to release the majority of the associated EVP liability as disclosed in Note 33.

Notes to the Consolidated Financial Statements continued

18. Financial Instruments continued

Borrowings are measured at amortised cost with the exception of the EVP preference instrument which is measured at fair value. All financial assets and financial liabilities have been categorised as Level 2. Level 2 financial instruments have been valued using inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.

Interest rates on borrowings

	2021		2020	
	Principal £m	Average interest rate %	Principal £m	Average interest rate %
Term facility	197.6	2.9%	249.0	2.6%

Unamortised transaction costs of £2.4m (2020: £3.0m) incurred in the origination of these facilities have been netted against the carrying value of the loans. The EVP preference instrument is non-interest bearing.

Fair value of financial assets and liabilities

	2021		2020	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Financial assets				
Trade and other receivables ² (Note 15)	111.2	111.2	135.1	135.1
Financial asset arising on liquidity fund	8.7	8.7	3.3	3.3
Financial asset arising from IFRIC 12 (Note 34)	4.1	4.1	3.4	3.4
Funds on long-term deposit	2.3	2.3	2.2	2.2
Prepayment in respect of EVP Dispute	63.6	63.6	63.6	63.6
Other long-term debtors	6.0	6.0	2.5	2.5
Derivative financial instrument	0.3	0.3	0.4	0.4
Cash and cash equivalents (Note 17)	30.8	30.8	87.8	87.8
	227.0	227.0	298.3	298.3
Financial liabilities				
Bank loans	(197.6)	(197.6)	(249.0)	(249.0)
Lease liabilities	(283.7)	(283.7)	(258.0)	(258.0)
EVP preference instrument	(47.6)	(47.6)	(47.6)	(47.6)
Trade and other payables ¹ (Note 19)	(206.5)	(206.5)	(233.2)	(233.2)
Deferred and contingent consideration	(9.4)	(9.4)	–	–
Derivative financial instrument	(3.9)	(3.9)	(1.6)	(1.6)
	(748.7)	(748.7)	(789.4)	(789.4)
Net financial assets and liabilities	(521.7)	(521.7)	(491.1)	(491.1)

1 Trade and other payables excludes contingent liabilities, deferred income, taxation and social security and other non-financial liabilities.

2 Trade and other receivables excludes prepayments, other debtors and accrued income.

The fair values of financial assets and liabilities are determined as follows:

Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The fair values of non-derivative financial assets and liabilities are determined based on discounted cash flow analysis using current market rates for similar instruments.

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including capital risk management, cash flow interest rate risk, currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management programmes focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance. Financial risk management in the above areas is carried out under a policy approved by the Board of Directors.

Capital risk management

The Group manages its capital structure using a number of measures and taking into account its future strategic plans. Such measures include its net interest cover, liquidity and leverage ratios. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus Net Debt. Net Debt is calculated as total borrowings (including 'current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. The Directors are satisfied that the current risk management strategy is appropriate and effective.

Cash flow interest rate risk

The Group's interest-bearing assets include cash and cash equivalents which earn interest at floating rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Group policy is to maintain an appropriate proportion of its borrowings at fixed rate using interest rate swaps to achieve this when necessary.

The interest rate risk profile of the Group's financial assets and liabilities was as follows:

	2021 £m	2020 £m
Financial liabilities		
Floating rate financial liabilities (excluding derivatives)	197.6	249.0
Fixed rate financial liabilities	283.7	258.0
Non-interest bearing financial liabilities	215.9	233.2
Non-interest bearing EVP preference instrument	47.6	47.6
Total financial liabilities (excluding derivatives)	744.8	787.8

Fixed rate financial liabilities relate to lease liabilities. Non-interest bearing financial liabilities comprise trade payables.

	2021 £m	2020 £m
Financial assets		
Floating rate financial assets (excluding derivatives)	65.9	65.8
Floating rate financial assets (cash and cash equivalents)	30.8	87.8
	96.7	153.6
Non-interest bearing assets		
Liquidity fund	8.7	3.4
Non-interest bearing financial assets	121.3	140.9
	130.0	144.3
Total financial assets (excluding derivatives)	226.7	297.9

The interest on fixed rate financial instruments is fixed until the maturity of the investment. The interest on floating rate financial instruments is re-set at intervals of less than one year. The other financial assets and liabilities of the Group that are not included in the above tables are non-interest bearing and therefore not subject to interest rate risk.

Fixed rate and non-interest bearing financial assets and liabilities are exposed to fair value interest rate risk and floating rate financial assets and liabilities to cash flow interest rate risk.

Currency risk

The Group is exposed to currency risk arising from currency exposures primarily related to the disposal of RDF via export to Europe. The Group enters into forward contracts to purchase Euros based upon expected costs. These derivatives are classified as cash flow hedges.

Price risk

The Group is not materially exposed to any equity securities price risk. Both divisions are exposed to commodity price risks to a greater or lesser degree on their outputs. The commodities that the Group is exposed to commodity price risks on are fuel, electricity, paper, glass, cardboard, steel, aluminium and plastics (including HDPE and PET). The price risk associated with commodities is considered to be in the ordinary course of business for the Group.

Credit risk

Credit risk is managed on a Group basis as appropriate. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of A are accepted.

Management does not expect any significant losses of receivables that have not been provided for as shown in Note 15.

The carrying amount of financial assets recorded in the financial information, which is net of impairment losses, represents the Group's maximum exposure to credit risk. These amounts include receivable balances from local authority clients, hence are not exposed to significant credit risk. Given the above factors, the Board does not consider it necessary to present a detailed analysis of credit risk.

Notes to the Consolidated Financial Statements continued

18. Financial Instruments continued

Liquidity risk

The Group ensures that there are sufficient committed loan facilities in order to meet short-term business requirements, after taking into account the cash flows from operations and its holding of cash and cash equivalents. The expected undiscounted cash flow of the Group's financial assets and liabilities (including derivatives), by remaining contractual maturity, at the balance sheet date is shown below:

	2021				Total £m
	Due within one year £m	Due between one and two years £m	Due between two and five years £m	Due five years and beyond £m	
Non-derivative financial liabilities					
Borrowings, excluding lease liabilities	–	–	(197.6)	–	(197.6)
Lease liabilities	(54.7)	(43.8)	(80.7)	(104.5)	(283.7)
Trade and other payables	(206.5)	–	–	–	(206.5)
Deferred and contingent consideration	(9.4)	–	–	–	(9.4)
EVP liability	(47.6)	–	–	–	(47.6)
Non-derivative financial assets					
Cash and cash equivalents	30.8	–	–	–	30.8
Liquidity fund	8.7	–	–	–	8.7
Trade and other receivables	111.2	–	–	–	111.2
	(167.5)	(43.8)	(278.3)	(104.5)	(594.1)

	2020				Total £m
	Due within one year £m	Due between one and two years £m	Due between two and five years £m	Due five years and beyond £m	
Non-derivative financial liabilities					
Borrowings, excluding lease liabilities	–	–	(252.0)	–	(252.0)
Lease liabilities	(43.6)	(39.7)	(86.7)	(88.0)	(258.0)
Trade and other payables	(233.2)	–	–	–	(233.2)
Non-derivative financial assets					
Cash and cash equivalents	87.8	–	–	–	87.8
Liquidity fund	3.4	–	–	–	3.4
Trade and other receivables	135.1	68.2	–	–	203.3
	(50.5)	28.5	(338.7)	(88.0)	(448.7)

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared taking an average of the liability outstanding over the period.

During the year ended 26 March 2021, the Group entered into a £150m Interest Rate Swap to fix its variable exposure to LIBOR. If interest rates had been 2% higher/1% lower and all other variables were held constant, the Group's result for the 52 weeks ended 26 March 2021 would increase/(decrease) by the amounts shown in the table below. This analysis assumes that, where interest rates are currently less than 1%, any reduction is capped at zero.

	2021		2020	
	2% increase interest rates £m	1% decrease interest rates £m	2% increase interest rates £m	1% decrease interest rates £m
Gain/(loss) – variable rate financial instruments	(0.4)	0.2	(1.0)	0.4

19. Trade and Other Payables

	2021 £m	2020 £m
Current		
Trade payables	155.7	176.7
Taxation and social security	51.0	40.9
Interest payable	0.7	0.8
Accruals	49.5	55.2
Other payables	0.6	0.6
	257.5	274.2
Non-current		
Trade and other payables	14.6	13.6

£13.0m has been recognised in relation to the EVP Dispute as disclosed in Note 33.

20. Provisions

	Landfill restoration & aftercare £m	Insurance £m	Onerous Contracts £m	Other £m	Total £m
As at 30 March 2019	67.4	11.5	17.1	10.3	106.3
Utilised	(8.0)	(0.4)	–	(2.4)	(10.8)
Charged/(credited) to profit and loss account	(0.9)	(0.1)	(1.7)	4.4	1.7
Impact of real discount rate changes to profit and loss account	(4.9)	–	–	–	(4.9)
Unwinding of discount	1.7	–	–	–	1.7
Transfers from fixed/other assets	1.3	–	–	–	1.3
As at 27 March 2020	56.6	11.0	15.4	12.3	95.3
Utilised	(8.5)	(1.6)	(6.6)	(1.5)	(18.2)
Charged/(credited) to profit and loss account	3.6	1.0	10.2	4.8	19.6
Impact of real discount rate changes to profit and loss account	17.4	–	3.2	–	20.6
Unwinding of discount	1.8	–	–	–	1.8
Transfers from fixed/other assets	0.1	–	(1.7)	(0.1)	(1.7)
As at 26 March 2021	71.0	10.4	20.5	15.5	117.4

Provisions have been analysed between current and non-current as follows:

	2021 £m	2020 £m
Current	16.1	10.2
Non-current	101.3	85.1
	117.4	95.3

Landfill restoration and aftercare

As part of its normal activities, the Group undertakes to restore its landfill sites and to maintain the sites and control leachate and methane emissions from the sites. Provision is made for these anticipated costs. A number of estimate uncertainties affect the calculation, including the impact of regulation, climate change, accuracy of site surveys, transportation costs, and changes in the real discount rate. The provisions incorporate our best estimates of the financial effects of these uncertainties, but future changes in any of these estimates could materially impact the calculation of the provision. Restoration costs are incurred as each site is filled and in the period immediately after its closure. The provision incorporates the best estimate of the financial effect of these uncertainties, but future changes in any of the assumptions could materially impact the calculation of the provision.

Maintenance and leachate and methane control costs are incurred as each site is filled and for a number of years post closure.

Aftercare costs are incurred as each site is filled and for a number of years post closure. This period can vary significantly from site to site, depending upon the types of waste landfilled and the speed at which it decomposes, the way the site is engineered and the regulatory requirements specific to the site.

Changes in the provision arising from revised estimates or discount rates or changes in the expected timing of expenditures that relate to property, plant and equipment are recorded as adjustments to their carrying value and depreciated prospectively over their remaining useful economic lives; otherwise such changes are recognised within the income statement.

The associated outflows are estimated to arise over a period of up to 60 years depending on the date of each site closure. In determining the provision, the estimates for future expenditure required to settle the obligation are inflated using longer-term inflation rates, and discounted using the nominal discount rate. The rates utilised reflect the period of the obligation on a site by site basis which varies between 10 and 60 years.

Insurance

The associated outflows are estimated to arise over a period of up to seven years from the balance sheet date.

Onerous contracts

The Group recognises an onerous contract provision for any unavoidable net loss arising from contracts. As detailed in note 1 the movement recognised in the Consolidated Income Statement on these provisions are disclosed within adjusting items. The Group reviews its onerous contract provisions at each reporting date and whenever there is a material change in management's expectations of the contract. At the end of the financial year the Group had 2 onerous contract provisions for Mid Kent and Leicester. During the year, the full onerous contract provision held against the North Somerset contract of £6.6m was utilised when the Group terminated the contract early with the Local Authority (see note 3 for further details).

The future cash inflow from the remaining onerous contracts are highly predictable as they are fixed based on the terms of the contract. However, the costs associated with delivering the contract can vary and assumptions on future cash outflows is considered a significant estimate when modelling the future net cash outflows on onerous contract provisions. On the Mid-Kent provision a 5% increase in future cash outflows would increase the provision by £1.5m and on the Leicester provision a 5% increase in future cash outflows would increase the provision by £5.4m.

The onerous contract provisions will be utilised within 8 years of the balance sheet date.

Other

Other provisions include a provision for dilapidations of £8.8m (2020: £7.8m) and £6.7m (2020: £2.5m) relating to other property costs and legal fees. The associated outflows are estimated to arise over a period of up to 20 years from the balance sheet date.

Notes to the Consolidated Financial Statements continued

20. Provisions continued

Discounting of provisions

Long-term provisions included in landfill restoration and aftercare have been inflated and discounted using the below nominal rates. Long-term provisions included in onerous contracts have been discounted using the below nominal rates. In previous years, the Group discounted onerous contract provisions using WACC rates based on the equity and debt leverage of the Group adjusted for industry risk rates. In FY21, the Group changed the rate used to discount its onerous contract provisions to a risk free rate.

Period of obligation	Inflation rate		Discount rate	
	2021	2020	2021	2020
5 years	2.1%	2.1%	1.0%	2.1%
10 years	2.4%	2.3%	1.6%	2.1%
20 years	2.8%	2.3%	2.1%	2.5%
30 years	2.7%	2.1%	2.2%	2.4%
60 years	2.7%	1.6%	2.0%	2.2%

An increase of 1% in the real discount rate (at current cost) would result in a decrease of environmental provisions of approximately £15.7m (2020: £10.3m). A 10% increase in cash outflows would result in an increased environmental provision of £7.7m (2020: £5.9m).

Long-term aftercare provisions included in landfill restoration and aftercare provisions have been inflated at a rate of 2.8% (2020: 2.3%). An increase of 1% in the rate of inflation would result in an increase of environmental provisions of approximately £22.8m (2020: £14.3m).

In arriving at the onerous contract provision for the Mid-Kent Partnership contract, the Group has discounted the future cash flows using a risk free rate of 1.0%. If this rate increased by 500 basis points the provision charge would decrease by £0.4m.

In arriving at the onerous contract provision for the Leicester contract, the Group has discounted the future cash flows using a risk free rate of 1.6%. If this rate increased by 500 basis points the provision charge would decrease by £2.1m.

21. Deferred Taxation

The following are the major tax assets and liabilities recognised by the Group and movements thereon during the current period:

	Temporary difference arising on property plant and equipment £m	Share-based payments £m	Provisions £m	Retirement benefit obligation £m	Goodwill £m	Intangible assets £m	Recognised, tax losses carried forward £m	Total £m
As at 30 March 2019	29.5	1.4	0.9	(13.4)	7.7	(33.2)	9.2	2.1
Acquired	0.3	–	–	–	–	(0.5)	–	(0.2)
Credit/(charge) to income statement	(7.9)	(0.4)	–	(1.9)	–	(0.7)	0.2	(10.7)
Credit/(charge) to SOCI	–	(0.2)	–	(8.3)	–	–	–	(8.5)
As at 27 March 2020	21.9	0.8	0.9	(23.6)	7.7	(34.4)	9.4	(17.3)
Acquired	(6.9)	–	–	–	–	(4.6)	–	(11.5)
Credit/(charge) to income statement	10.6	–	(0.1)	(1.8)	(0.9)	5.3	(1.0)	12.1
Credit/(charge) to SOCI	–	1.5	–	4.1	–	–	–	5.6
As at 26 March 2021	25.6	2.3	0.8	(21.3)	6.8	(33.7)	8.4	(11.1)

A deferred tax liability of £11.1m (2020: £17.3m liability) has been recognised in the current year using the tax rate of 19% (2020: 19%). Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities.

As at 26 March 2021 the Group had unused tax losses of £61.9m (2020: £66.9m) available for offset against future profits. A deferred tax asset has been recognised in respect of £43.9m (2020: £49.6m) of these losses. No deferred tax asset has been recognised in respect of the remaining £17.2m (2020: £17.2m) as it is not considered probable that there will be future taxable profits available in the statutory entity in which these losses are being carried forward.

22. Share-based Payments

Date of grant	2021 Number	2020 Number
3 July 2017	–	1,575,164
1 September 2017	–	26,230
2 July 2018	842,980	870,176
1 October 2018	218,359	218,359
11 December 2018	18,819	18,819
1 July 2019	1,671,056	1,773,988
1 July 2020	2,205,172	–

The following share-based expenses charged in the year are included within administration expenses:

	2021 £m	2020 £m
Share option plans	3.8	3.0

During the year the Group had two conditional share-based payment arrangements granted to Directors and employees. The schemes are equity settled.

Performance Share Plan

Date of grant	Number of options originally granted	Contractual life (years)	Share price at date of grant (pence)	Number of employees at grant	Expected volatility	Expected life (years)	Risk free rate	Fair value per option (pence)
20 October 2016	2,628,466	2.65	179.5	13	27%	2.65	0.25%	105.2
24 January 2017	84,189	2.4	186.8	4	27%	2.4	0.23%	109.3
3 July 2017	2,195,805	3.0	221.8	78	26%	3.0	0.36%	154.6
1 September 2017	26,230	2.8	228.8	1	26%	2.83	0.22%	161.8
2 July 2018	1,014,880	2.9	251.0	36	24%	2.93	0.71%	173.2
1 October 2018	218,359	2.9	253.0	2	24%	2.93	0.89%	173.8
11 December 2018	18,819	2.9	192.2	1	24%	2.93	0.90%	114.1
1 July 2019	1,773,988	3.0	211.0	37	25%	3.0	0.54%	112.8
1 July 2020	2,354,948	3.0	201.0	77	27%	2.93	(0.07%)	107.7

The Group has used the stochastic model to value its share awards.

The expected volatility is a measure of the amount by which a share price is expected to fluctuate during the period. It is typically calculated based on statistical analysis of daily share prices over the length of the award period. Due to the recent listing of Biffa plc this information is not available. Instead it has been based on the volatility of another company of a similar size which operates in the same market. A reconciliation of movements in the number of share awards can be summarised as follows:

Date of grant	Number of options originally granted	Vested	Lapsed/forfeited	26 March 2021
20 October 2016	2,628,466	(2,287,840)	(340,626)	–
24 January 2017	84,189	(59,324)	(24,865)	–
3 July 2017	2,195,805	(1,561,255)	(634,550)	–
1 September 2017	26,230	(26,230)	–	–
2 July 2018	1,014,880	–	(171,900)	842,980
1 October 2018	218,359	–	–	218,359
11 December 2018	18,819	–	–	18,819
1 July 2019	1,773,988	–	(102,932)	1,671,056
1 July 2020	2,354,948	–	(149,776)	2,205,172

The Performance Share Plan (PSP) provides for the grant of awards in the form of conditional free shares or nil-costs options. Shares in relation to the award will be released to participants subsequent to the date of the preliminary announcement of results for the 2020/21 financial year dependent upon the extent to which the performance conditions of achievement of adjusted EPS targets for the fiscal year ended March 2020 and performance of the Company's relative total shareholder growth have been satisfied. The EPS fair value is equivalent to the share price at grant date on the basis that it is a non-market based measure.

Sharesave Plan

In financial year 2017 the Biffa Group launched the Biffa Sharesave Plan to all employees with six months or more continuous employment at the date of the scheme launch. The scheme is subject to HMRC rules which limit monthly contributions to £100. The scheme term is for three years and options may be exercised during the six months after completion of the Save as You Earn Contract.

Since the launch of the scheme new Sharesave Plans have been launched in subsequent financial year under the same terms.

During the period 2,510,141 options were granted at a fair value of 60.7 pence; the share price at reward was £2.36. At 26 March 2021, 3,182,333 options were outstanding under the Sharesave Plans,

Notes to the Consolidated Financial Statements continued

23. Reserves

Share capital

	Number of shares	Called up share capital £
As at 27 March 2020	250,000,000	2,500,000
Share issues	55,599,408	555,994
As at 26 March 2021	305,599,408	3,055,994

Share premium

The share premium represents amounts received in excess of the nominal value of shares issued upon IPO, net of the direct costs associated with issuing those shares.

	£m
As at 27 March 2020	235.3
Equity Raise*	1.3
Share issues**	10.4
As at 26 March 2021	247.0

* In May 2020, the Group incorporated a Jersey registered "cash box" company. This was used to facilitate the equity raise of 49,339,233 ordinary shares of 1p each at a placing price of £2.00 each. The transactions satisfied all required conditions under section 612 of the UK Company Act 2006 to obtain merger relief and therefore the excess of the net proceeds over the nominal value of the shares has been credited to a merger reserve rather than share premium. The net proceeds of the "cash box" equity raise was £95.9m, recognised in the merger reserve. At the same time, 660,766 shares were directly issued to the Board and executive management team as part of the equity raise. The net proceeds of the direct issue was £1.3m which has been recognised share premium.

The equity raise generated total proceeds of £100m and the Biffa plc Group received cash proceeds of £97.7m net of expenses. The amount within the merger reserve relating to this equity raise is now a distributable reserve.

** During the period, the Group settled its FY20 bonus payments using share options. A share allotment of 3m shares was issued to partially cover this payment. This issue did not have a cash impact as the issue was funded from the retained earnings of the Group. The share premium on this issue was £6.3m.

Merger reserve

The opening merger reserve of £74.4m arose on the acquisition of Wasteholdco 1 Limited and is the difference between the carrying value of the net assets acquired and the nominal value of the share capital.

	£m
As at 27 March 2020	74.4
Equity Raise*	95.9
As at 26 March 2021	170.3

* In May 2020, the Group incorporated a Jersey registered "cash box" company. This was used to facilitate the equity raise of 49,339,233 ordinary shares of 1p each at a placing price of £2.00 each. The transactions satisfied all required conditions under section 612 of the UK Company Act 2006 to obtain merger relief and therefore the excess of the net proceeds over the nominal value of the shares has been credited to a merger reserve rather than share premium. The net proceeds of the "cash box" equity raise was £95.9m, recognised in the merger reserve. At the same time, 660,766 shares were directly issued to the Board and executive management team as part of the equity raise. The net proceeds of the direct issue was £1.3m which has been recognised share premium.

The equity raise generated total proceeds of £100m and the Biffa plc Group received cash proceeds of £97.7m net of expenses. The amount within the merger reserve relating to this equity raise is now a distributable reserve.

24. Retained Earnings/(Deficit)

	2021 £m	2020 £m
Retained earnings/(deficit) at the start of the period	101.6	48.4
Profit/(Loss) for the period	(40.5)	45.6
Other comprehensive income for the period	(17.5)	32.6
Value of employee service in respect of share option schemes (excluding NICs)	3.2	2.6
Purchase of shares in EBT	(4.4)	(9.1)
Deferred tax on movement in share option schemes	1.5	(0.2)
Dividends paid	–	(18.3)
Retained surplus at the end of the period	43.9	101.6

25. Cash Flows from Operations

	2021 £m	2020 £m
Profit/(loss) for the period	(40.5)	45.6
Adjustments for:		
Finance income	(3.2)	(3.4)
Finance charges	17.6	21.0
Share of result in joint venture	0.8	0.1
Taxation	(12.3)	10.8
Operating profit	(37.6)	74.1
Share based payments	3.8	3.0
Adjusting items (Note 3)	33.8	4.4
Amortisation of intangibles	28.6	17.9
Depreciation of property, plant and equipment (Note 6)	87.2	82.6
Impairment of assets	6.8	–
Profit/(Loss) on disposal of fixed assets	0.3	(1.0)
Pension deficit payments	(4.0)	(0.9)
(Increase) in inventories	(2.4)	(1.7)
Decrease/(Increase) in receivables	36.7	(14.7)
(Decrease)/Increase in payables	(43.2)	33.2
Increase in contingent and deferred consideration	9.4	–
(Increase)/Decrease in financial asset	(5.5)	9.2
Increase/(Decrease) in provisions	20.6	(12.3)
Total cash generated from operations	134.5	193.8

26. Reconciliation of Net Cash Flow to Movement in Debt

	2021 £m	2020 £m
Net (decrease)/increase in cash and cash equivalents	(57.0)	21.6
Net decrease in bank loans	51.4	0.1
Net increase in lease liabilities	(25.7)	(135.5)
Movement in Net Debt in the period	(31.3)	(113.8)
Net Debt at beginning of period	(466.8)	(353.0)
Net Debt at end of period	(498.1)	(466.8)

Analysis of Net Debt

	2021 £m	2020 £m
Cash and cash equivalents	30.8	87.8
Lease liabilities	(283.7)	(258.0)
Bank loans	(197.6)	(249.0)
EVP preference liability	(6.3)	(6.3)
Reported Net Debt	(456.8)	(425.5)
EVP preference liability	(41.3)	(41.3)
	(498.1)	(466.8)

Of the EVP preference liability, £6.3m has been included within Reported Net Debt as it will be payable to EVP preference shareholders irrespective of the outcome of the EVP Dispute. The remaining £41.3m has been excluded on the basis that it will only become payable subject to the outcome of the EVP Dispute and will be funded by recovery of funds from HMRC.

The Groups leverage is calculated on reported Net Debt as follows:

	2021 £m	2020 £m
Cash and cash equivalents	30.8	87.8
Lease liabilities	(283.7)	(258.0)
Bank loans	(197.6)	(249.0)
EVP preference liability	(6.3)	(6.3)
Reported Net Debt	(456.8)	(425.5)
Reported Net Debt: EBITDA	3.3x	2.4x

Notes to the Consolidated Financial Statements continued

26. Reconciliation of Net Cash Flow to Movement in Debt

Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

Non-cash changes	As at 28 March 2020	Financing cash flows	Acquired loans	Acquisition of subsidiary	New leases	Other changes	As at 26 March 2021
Lease liabilities	(258.0)	43.4	–	(23.3)	(45.6)	(0.2)	(283.7)
Bank loans	(249.0)	59.2	(6.7)	–	–	(1.1)	(197.6)
EVP preference liability	(47.6)	–	–	–	–	–	(47.6)
	(554.6)	102.6	(6.7)	(23.3)	(45.6)	(1.3)	(528.9)

	As at 30 March 2019	Adoption of IFRS 16	Financing cash flows	Fair value movements	Acquisition of subsidiary	New leases	Other changes	As at 27 March 2020
Lease liabilities	(122.6)	(134.9)	50.2	–	(0.5)	(50.8)	0.6	(258.0)
Bank loans	(248.0)	–	(1.0)	–	–	–	–	(249.0)
EVP preference liability	(48.6)	–	–	1.0	–	–	–	(47.6)
	(419.2)	(134.9)	49.2	1.0	(0.5)	(50.8)	0.6	(554.6)

27. Lease Liabilities

Finance lease obligations are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2021 £m	2020 £m
Current liabilities	54.7	43.6
Non-current liabilities	229.0	214.4
	283.7	258.0

Undiscounted lease liabilities maturity analysis:

	Undiscounted Lease liabilities		Present value of lease liabilities	
	2021 £m	2020 £m	2021 £m	2020 £m
Within one year	62.8	51.8	54.7	43.5
More than one year but less than 2 years	50.4	46.5	43.8	39.8
More than 2 years but less than five years	94.5	99.2	80.7	87.2
After five years	222.2	144.3	104.5	87.5
	429.9	341.8	283.7	258.0
Less: future finance charges	(146.2)	(83.8)	–	–
	283.7	258.0	283.7	258.0

The average lease term is 13.4 years (2020: 14.2 years). For the period ended 27 March 2020, the effective borrowing rate was 3.0% (2020: 3.4%).

Amounts recognised in profit and loss relating to leases and right of use assets:

	2021 £m	2020 £m
Depreciation expense on right-of-use assets	49.6	46.3
Interest expense on lease liabilities	8.5	8.4
Income from sub-leasing right-of-use assets	3.3	2.2
Expense relating to short-term and low value assets	18.5	17.8

Cash repayments of £43.4m (2020: £50.2m) on leases have been made in the year

28. Pension and Post-retirement Benefits

Defined contribution schemes

	2021 £m	2020 £m
Defined contribution expense	10.4	10.2

The Group operates a number of defined benefit schemes: Biffa Pension Scheme (BPS), the Cornwall Pension Fund (the Cornwall Fund), an Unfunded Unapproved Retirement Benefits Scheme (UURBS), the Federated Pension Plan (FPP), Prudential Platinum (Platinum), the Kent County Council Pension Fund (the Kent Fund), the Staffordshire Pension Fund (the Staffordshire Fund) and the Greater Manchester Pension Fund (GMPF) (collectively, the Schemes). The Schemes offer both pensions in retirement and death benefits to members. All the Schemes are closed to new members. The BPS, Platinum, the Cornwall Fund, the Kent Fund and the Staffordshire Fund are open to accrual although the BPS is closed for the majority of members and only a few employees with statutory protections remain in active service. The BPS makes up around 95% of the total liability across the Schemes.

The Schemes expose the Group to actuarial risks such as market (investment) risk, interest rate risk, inflation risk currency risk and longevity risk. Contributions to the Schemes for the year ended 25 March 2022 are expected to be £5.9m.

The Schemes' are administered by Trustees and the assets are held separately to the legal entity that is the Group. The Trustee board of the Schemes is composed of an independent Trustee, and other employer and member nominated Trustees (where the legal minimum proportion of member nominated Trustees has been upheld). The Trustees are required by law to act in the best interests of the members of the Scheme. The Trustees are responsible for the investment policy with regard to the assets of the Schemes.

The Group considers two measures of the Schemes surplus or deficit. The accounting position is shown on the Group balance sheet. The funding position, calculated at the triennial actuarial assessment, is used to agree contributions to the Schemes. The two measures will vary because they are for different purposes, and are calculated at different rates and in different ways. The key calculation difference is that the funding position considers the expected returns of Scheme assets when calculating the Schemes liability, whereas the accounting position under IAS 19 discounts liabilities based on corporate bond yields.

The Schemes have an accounting surplus that is fully recognised on the basis that future economic benefits are unconditionally available in the form of a reduction in the future cash contributions or as a cash refund. Where a surplus of a defined benefit scheme arises or there is potential for a surplus to arise from committed future contributions the rights of the Trustees to prevent the Group obtaining a refund of that surplus is considered in determining whether it is necessary to restrict the amount of the surplus that is recognised.

A full actuarial valuation of the Schemes was carried out as at 31 March 2015 which revealed a funding shortfall of £66.7m. The Group committed to deficit payments of £3.85m each year to 31 March 2017 and escalating with RPI inflation each year from 31 March 2018 to 31 March 2024.

The Group is also admitted in the Cornwall Pension Fund (the Cornwall Fund) and Norfolk Pension Fund (the Norfolk Fund). The contractual terms of the commercial agreements that admit the Group to these schemes limit the actuarial risk that the Group is exposed to; consequently the schemes have been accounted for as a defined contribution scheme.

In the prior year the Cornwall Fund was accounted for as a defined benefit scheme. During the year the contractual terms of the commercial agreement with Cornwall Council were revised. The Group must now pay a fixed contribution into the fund and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. When the scheme was reclassified from defined benefit to defined contribution, a £3.0m gain was recognised. This has been recognised in the Consolidated Income Statement.

The Cornwall Fund, Norfolk Fund, Kent Fund, Staffordshire Fund and GMPF are all Local Government Pension Schemes. When determining the appropriate accounting treatment for these schemes, the Group considers the extent to which it is exposed to actuarial risk throughout the term of the commercial contract and also obligated to fund any deficit on exit of the contract.

Investment risk

The present values of the Schemes' liabilities are calculated using a discount rate determined by reference to yields available on high-quality AA-rated corporate bond yields; in other words, from the position of being fully funded then if the return on the Schemes' assets were below this rate, it would create a deficit in the Schemes.

In addition to the natural interest rate hedging provided by its investment in bonds the Trustee also purchases derivatives to ensure that the funding position of the Schemes are, overall, hedged against 60% of movements in long-term risk free interest rates and 60% of movements in inflation expectations. No annuities or specific mortality hedging products have been purchased by the schemes.

Interest risk

A decrease in the corporate bond yield will increase the Schemes' liabilities; however, this will be partially offset by an increase in the value of the Schemes' corporate bond assets.

Longevity risk

The present values of the Schemes' liabilities are calculated by reference to the best estimate of the mortality of the Schemes' members both during and after their employment. An increase in the life expectancy of the Schemes' members will increase the Schemes' liabilities.

Inflation risk

The present values of the Schemes' liabilities are calculated by reference to the future expected pension indexation (both indexation in deferment and pension increases in payment), which will depend on future inflation expectations. As such, an increase in the expectation of future inflation will increase the Schemes' liabilities.

The lump sum death benefits paid to the dependants of the Schemes' members are insured with an external insurance company. The present value of the obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

Notes to the Consolidated Financial Statements continued

28. Pension and Post-retirement Benefits continued

A full actuarial valuation of the Schemes was carried out as at 31 March 2015 and has been updated to 26 March 2021 by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms) as follows:

	2021 £m	2020 £m
Discount rate	2.0%	2.5%
Rate of salary increase	3.1%	2.5%
Rate of inflation – RPI	3.1%	2.8%
Rate of inflation – CPI	2.6%	2.0%
Rate of pension increases ¹ – RPI with floor of 0% cap of 2.5% p.a.	2.1%	2.1%
Rate of pension increases ¹ – RPI with floor of 0% cap of 5.0% p.a.	2.9%	2.8%
Rate of pension increases ¹ – RPI with floor of 0% cap of 6.0% p.a.	3.0%	2.8%
Rate of pension increases ¹ – CPI with floor of 0% cap of 3.0% p.a.	2.2%	1.9%
Longevity (years)		
Expected future lifetime of a male pensioner currently aged 65	21.2	20.9
Expected future lifetime of a female pensioner currently aged 65	23.2	22.9
Expected future lifetime from age 65 of a male member currently aged 45	22.5	21.9
Expected future lifetime from age 65 of a female member currently aged 45	25.2	24.5

1 In excess of any Guaranteed Minimum Pension (GMP).

The assets in the Schemes were:

Asset category	2021		2020	
	£m	%	£m	%
Equities	149.8	24.1%	102.8	17.1%
Bonds	245.8	39.5%	327.8	54.7%
Properties and infrastructure	22.9	3.7%	80.9	13.5%
Hedge funds	98.3	15.8%	39.5	6.6%
Other	104.9	16.9%	48.3	8.1%
	621.7		599.3	
Actual return on plan assets	57.5		26.3	

The fair value of all of the above asset classes are determined based on quoted (bid) market prices. Virtually all equity and debt instruments have quoted prices in active markets. Derivatives are classified as Level 2 instruments and hedge funds and property as Level 3 instruments. It is the policy of the Schemes to use hedge funds and liability driven investments to hedge some of their exposure to interest rate and inflation risks. This policy has been implemented during the current and prior years.

The key source of estimation uncertainty relates to the valuation of the property portfolio, where a valuation is obtained annually from professionally qualified external valuers. The evidence to support these property valuations is based primarily on recent, comparable market transactions on an arm's length basis. However the assumptions applied are inherently subjective and so are subject to a degree of uncertainty, especially as a result of Covid-19 and volatile assumptions as at the balance sheet date.

An increase in the property valuation of 10% would increase pension assets by £2.3m. An increase in the valuation of traded assets of 10% would increase pension assets by £49.4m.

Reconciliation of opening and closing balances of the present value of the defined benefit obligation

	2021 £m	2020 £m
Benefit obligation at beginning of period	485.9	523.8
Service cost	2.5	2.8
Gain on settlement*	(3.0)	–
Interest cost	11.6	12.9
Contributions by Scheme participants	0.4	0.4
Net remeasurement (gains)/losses – financial	68.9	(29.3)
Net remeasurement (gains) – demographic	3.8	(0.4)
Net remeasurement (gains) – experience	(4.0)	(4.5)
Benefits paid	(40.4)	(19.8)
Past service costs	0.1	–
Benefit obligation at end of period	525.8	485.9

* On the transfer of the Cornwall pension scheme from a defined benefit to defined contribution scheme a gain of £3m was recognised in the Consolidated Income Statement.

Reconciliation of opening and closing balances of the fair value of Schemes' assets

	2021 £m	2020 £m
Fair value of Schemes' assets at beginning of period	599.3	587.6
Interest income on Schemes' assets	14.3	14.5
Return on assets, excluding interest income	43.1	11.8
Contributions by employers	5.9	5.9
Contributions by Schemes' participants	0.4	0.4
Benefits paid	(40.4)	(19.8)
Scheme administrative cost	(1.0)	(1.1)
Fair value of plan assets at end of period	621.6	599.3

Amounts recognised in comprehensive income in respect of defined benefit Schemes

	2021 £m	2020 £m
Current service cost	2.4	2.8
Past service cost	0.1	–
Gain on settlement	(3.0)	–
Administrative cost	1.0	1.1
Service cost adjustment in respect of Greater Manchester Pension Fund	(0.7)	(0.7)
Net interest on the net defined benefit liability	(3.1)	(2.0)
Components of defined benefit cost recognised in profit or loss	(3.3)	1.2
Remeasurement on the net defined benefit liability		
Return on Schemes' assets (excluding amounts in net interest expense)	(43.1)	11.8
Actuarial gains and losses from changes in financial assumptions	68.9	29.4
Actuarial gain from changes in demographic assumptions	3.8	0.4
Actuarial gain from changes in experience assumptions	(4.0)	4.5
Movement in asset ceiling	(0.6)	(1.4)
GMPP Admission agreement	(3.4)	(3.8)
Components of defined benefit cost recognised in other comprehensive income	21.6	40.9

The current service cost is included in operating costs in profit or loss. The net interest expense is included within finance charges in the consolidated statement of profit or loss.

The remeasurement of the net defined benefit liability is included in other comprehensive income.

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit Schemes is as follows:

	2021 £m	2020 £m
Present value of funded defined benefit obligation	(525.8)	(485.9)
Fair value of funded Schemes' assets	621.6	599.3
Adjustment for the restriction in asset benefit	(1.1)	(1.7)
Adjustment in respect of GMPP agreement	17.4	13.0
Net asset arising from defined benefit obligation	112.1	124.7

Significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, expected future inflation and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate is 0.5% lower the defined benefit asset would decrease by £56.8m (2020: £50.5m).

If the inflation assumption increases by 0.5% the defined benefit asset would decrease by £52.0m (2020: £42.6m).

If the life expectancy increases by one year for both men and women, the defined benefit asset would decrease by £18.2m (2020: £19.4m).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

The Schemes' participating employers are Biffa Waste Services Limited, Biffa Municipal Limited, Biffa Environmental Municipal Services Limited, Biffa Leicester Limited and Biffa West Sussex Limited. These subsidiaries fund the cost of any protected members' future accrual (to the extent that any protected members remain working for each of these companies) earned on a yearly basis.

Notes to the Consolidated Financial Statements continued

28. Pension and Post-retirement Benefits continued

Protected members pay a range of fixed contributions of pensionable salary depending on what section of the Schemes they are in. These contributions range from 3% to 6% of pensionable salary. The residual contribution (including past service augmentations) is paid by the above entities of the Group. These contributions, required to fund accrual, are agreed between Biffa Corporate Holdings Limited (the Principal Employer) and the Trustees of the Schemes following each triennial valuation of the Schemes.

In accordance with the Pensions Act 2004, the Schemes' liabilities are measured using a prudent discount rate at the triennial valuation, but some asset out-performance is allowed for when calculating the deficit recovery contributions paid for by the participating employers. Additional liabilities stemming from past service due to augmentation of benefits are added to the Schemes' deficit.

The average duration of the benefit obligation at 26 March 2021 is approximately 21 years (2020: 21 years).

The Group expects to make a contribution of £5.9m to the Schemes during the financial year to 26 March 2021.

29. Related Party Transactions

There have been no material related party transactions in the 52 weeks ended 26 March 2021 (2020: nil) except for key management compensation as set out in the Directors' Remuneration Report.

Details of the Directors' remuneration are set out in the Directors' Remuneration Report on pages 105 – 123. There have been no related party transactions with any directors in the year or in the subsequent period.

During the year to 26 March 2021, the Group invested £8.4m in Protos ERF Ltd and Newhurst ERF Limited. On financial close the Group received from the joint venture reimbursement for development costs incurred. The Group also issued loan notes of £5.8m to Newhurst ERF Holding Limited and Protos Holding Limited. Both parties can redeem the notes at any time. Annual rate of interest on the notes is eight per cent. This whole balance remained outstanding at year end. None of the amount is deemed to be uncollectable and no expenses have been recognised during the period in respect of bad or doubtful debts in this regard.

No Directors held any material interest in any contract with the Company or the Group in the year or subsequent period to 26 March 2021. The Group has made £5.9m (2020: £10.2m) contributions to the pension schemes.

30. Subsidiary Undertakings

All subsidiary undertakings have a financial year ended coterminous with Biffa plc unless otherwise noted. The Companies disclosed below are deemed to be the principal subsidiaries of the Group.

Principal subsidiary	Place of incorporation	Activity	Shareholding
Biffa Municipal Limited ¹	England and Wales	Waste management	100%
UK Waste Management Limited ¹	England and Wales	Waste management	100%
Biffa Waste Management Limited ¹	England and Wales	Waste management	100%
Biffa West Sussex Limited ¹	England and Wales	Waste management	100%
Bray Insurance Company Limited ²	Gibraltar	Insurance services	100%
Poplars Resource Management Company Limited ¹	England and Wales	Waste management	100%
Biffa Waste Services Limited ¹	England and Wales	Waste management	100%
Biffa Leicester Limited ¹	England and Wales	Waste management	100%
Biffa Environmental Municipal Services Limited ¹	England and Wales	Waste management	100%
Camo Limited ¹	England and Wales	Waste management	100%
Company Shop Limited ³	England and Wales	Other retail non-specialist	100%
Specialist Waste Recycling Limited ⁴	England and Wales	Waste management	100%

¹ Registered at Coronation Road, Cressex, High Wycombe, Buckinghamshire HP12 3TZ.

² Registered at Fiduciary Management Limited, Suite 23 Portland House, Glacis Road, Gibraltar, GX11 1AA

³ Registered at Wentworth Way, Tankersley, Barnsley, South Yorkshire, S75 3DH

⁴ Registered at Annan Suite, 10 York Place, Edinburgh, Scotland EH1 3EP

31. Contingent Liabilities

The Group must satisfy the financial security requirements of environmental agencies in order to ensure that it is able to discharge the obligations in the licences or permits that the Group holds for its landfill sites. The Group satisfies these financial security requirements by providing financial security bonds. The amount of financial security which is required is determined in conjunction with the regulatory agencies, as is the method by which assurance is provided. The Group has existing bond arrangements in England and Wales of approximately £82.9m outstanding at 26 March 2021 (2020: £85.7m) in respect of the Group's permitted waste activities where the Group has obligations under the Environment Agency's fit and proper person test to make adequate financial provision in order to undertake those activities. Additionally the Group has bonds to a value of £14.6m (2020: £18.0m) in connection with security for performance of local authority and other contracts. No liability is expected to arise in respect of these bonds. The Group also has four letters of credit in relation to the deferred equity contributions on Newhurst EfW and Protos EfW amounting to £57.4m.

The Group is engaged in a dispute with HMRC in relation to the landfill tax treatment of certain materials used in the engineering of landfill sites from September 2009 to May 2012, which is fully explained in Note 33.

The Group is also engaged in a dispute with HMRC in relation to the landfill tax treatment of sub-soils with low levels of contamination from asbestos. At the date of signing of the accounts the outcome is not certain, however the Group has received a protective assessment of £8.5m, which has been paid and is included in prepayments in the current year as the Group is disputing this assessment. The Group is subject to a number of other HMRC enquiries which are on-going.

32. Joint Ventures

Details of each of the Group's joint ventures at the end of the reporting period are as follows:

Name of joint venture	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by the Group
Protos Holding Ltd	Energy from waste	England and Wales	25%
Protos ERF Ltd	Energy from waste	England and Wales	25%
Newhurst ERF Holding Ltd	Energy from waste	England and Wales	50%
Newhurst ERF Limited	Energy from waste	England and Wales	50%

All of the above joint ventures and associates are accounted for using the equity method in these consolidated financial statements as set out in the Group's accounting policies in note 1.

Summarised financial information in respect of each of the Group's material joint ventures is set out below. The summarised financial information below represents amounts in the financial statements of joint ventures prepared in accordance with IFRS Standards.

	2021		2020
	Newhurst £m	Protos £m	Newhurst £m
Current assets	3.1	24.4	8.8
Non-current assets	125.7	89.7	56.0
Current liabilities	(7.0)	(16.5)	(14.0)
Non-current liabilities	(98.8)	(105.1)	(44.8)
	23.0	(7.5)	6.0
The above amounts of assets and liabilities include the following:			
Cash and cash equivalents	(0.1)	22.6	3.8
Current financial liabilities (excluding trade and other payables and provisions)	(6.9)	(6.6)	(10.4)
Non-current financial liabilities (excluding trade and other payables and provisions)	(98.8)	(105.1)	(44.8)
Revenue	–	–	–
Loss for the year	(1.0)	(1.2)	(0.2)
Other comprehensive income/(Loss) attributable to the owners of the company	5.2	(14.5)	(3.6)
Total comprehensive income/(Loss)	4.2	(15.7)	(3.8)

Notes to the Consolidated Financial Statements continued

32. Joint Ventures continued

Reconciliation of the above summarised financial information to the carrying amount of the Group's interest in the joint venture recognised in the Consolidated financial statements:

	2021	2020
	Newhurst £m	Protos £m
Net assets of joint venture	23.0	(7.7)
Group's percentage ownership interest in the joint venture	50%	25%
Carrying amount of the Group's interest in the joint venture	11.5	(1.9)

	2021	2020
	Newhurst £m	Protos £m
Interest in joint venture at carried forward	3.0	–
Additions	6.4	2.0
Share of post-tax results	(0.5)	(0.3)
Share of net loss on cash flow hedge in joint venture	2.6	(3.6)
Interest in the joint venture at the end of the period	11.5	(1.9)

The Protos joint venture is currently in a net liability position of £7.5m at the end of March 2021 as a result of the unrealised fair value of the cash flow hedges (Biffa's 25% interest: liability of £1.9m). The fair value loss is £14.5m at balance sheet date (Biffa's 25% interest: loss of £3.6m). The net liability has been recognised in the financial statements due to the commitment made by Biffa to fund the joint venture and the associated letters of credit.

The Group entered into the Protos joint venture in the financial year and initially had 50% rights to participate in the project. During the year, the Group sold their share of 25% of these rights to participate to Covanta UK for £3.0m, net of £0.2m transactions costs. Covanta UK's equity interest is shared with Green Investment Group Limited and their joint 75% equity interest is held through Covanta Green Protos Holding Limited. The rights sold had a £nil net book value and therefore no disposal value has been disclosed.

33. EVP-related Items

The Group is engaged in a dispute with HMRC concerning historical Landfill Tax.

HMRC claims that the Group is liable for £61.9 million of Landfill Tax in respect of certain waste materials deposited in Biffa's landfill sites from 2009 to 2012 (EVP). Biffa contests that the material was used in the sites for an engineering purpose and is not therefore subject to Landfill tax. Notwithstanding the Group's opinion on the tax treatment of this material, since 2012 all materials of this nature have been subjected to Landfill Tax.

The matter was heard by the First tier Tax Tribunal which found in HMRC's favour. Biffa won the Upper Tax Tribunal for the EVP case. However, HMRC requested a further hearing from the Court of Appeal which took place in March 2021. Biffa was unsuccessful in the hearing with the Court of Appeal and the Directors have taken independent advice and is now seeking leave to appeal the decision to the Supreme Court.

The contested amount was paid to HMRC following the refinancing of the Group upon its IPO in October 2016. In addition to the payment of £61.9 million, the Group paid £1.7 million in interest in the period ended 24 March 2017.

The Directors, having taken appropriate advice, do not believe that a liability to tax exists, and accordingly have treated the payment of the tax and associated interest as a prepayment.

As part of the IPO of the Group, arrangements were put in place to make certain payments to the shareholders and certain members of employee incentive schemes of the Group immediately prior to its Listing, subject to and in respect of the outcome of the dispute. A liability of £47.6 million has been recognised in borrowings, an accrual of £13 million has been recognised in non-current liabilities. Of the liability of £47.6 million, £6.3 million has been included within Reported Net Debt as it will be payable irrespective of the outcome of the dispute.

The remaining balance of £41.3 million has been excluded from Reported Net Debt.

34. Service Concession Arrangements

The Group has two integrated waste management contracts with Leicester City Council (25 years – awarded in 2003) and West Sussex County Council (25 years – awarded in October 2010). The concessions vary as to the extent of their obligations, but typically require the construction and operation of an asset during the concession period including scheduled maintenance and capital expenditure. The operation of the assets includes the provision of waste management services such as collection, recycling and disposal. Typically at the end of concession periods the assets are returned to the concession owner. There have not been any significant changes to these arrangements in the period. The construction of the infrastructure for West Sussex County Council was funded by the Council and therefore falls outside of the scope of IFRIC 12 and no financial asset or intangible has been recognised. A financial asset of £4.1m has been recognised in relation to the Leicester City Council contract (Note 18).

These contracts generated revenue of £43.4m in the 52 weeks ended 26 March 2021 (2020: £45.7m). The contract with Leicester City Council is loss making and a return to profitability is not expected and as such an onerous contract provision has been recognised.

35. Non-principal Subsidiary Undertakings

Biffa plc is the ultimate parent company in the Biffa Group. The following entities complete the full list of the Company's subsidiary undertakings. All subsidiaries are 100% owned and consolidated unless otherwise stated.

Name	Country of incorporation	Activity	Shareholding
Wasteholdco 1 Limited*****2	Jersey	Holding company	100%
Wasteholdco 2 Limited*2	Jersey	Holding company	100%
Biffa Group Holdings Limited*2	Jersey	Holding company	100%
Biffa Group Limited*1	England and Wales	Holding company	100%
GS Equity Co ⁵	Cayman Islands	Holding company	100%
GS Acquisitions Limited*1	England and Wales	Holding company	100%
Biffa GS Holdings Limited*1	England and Wales	Holding company	100%
Material Recovery Nominees Limited*1	England and Wales	Dormant	100%
Biffa GS UK Holdings Limited*1	England and Wales	Holding company	100%
Biffa GS (LPP) Limited*1	England and Wales	Waste management	100%
Biffa GS Environmental Limited*1	England and Wales	Waste management	100%
Biffa GS (RUR) Limited*1	England and Wales	Dormant	100%
Biffa GS Environmental Recycling Limited*1	England and Wales	Waste management	100%
Biffa GS (M&B) Limited*1	England and Wales	Waste management	100%
Biffa GS (FC) Limited*1	England and Wales	Waste management	100%
Biffa (WES) Limited*1	England and Wales	Waste management	100%
Biffa Group Holdings (UK) Limited*1	England and Wales	Holding company	100%
Biffa Corporate Services Limited*1	England and Wales	Dormant	100%
Biffa Corporate Holdings Limited*1	England and Wales	Holding company	100%
Biffa Netherlands B.V.*4	Netherlands	Holding company	100%
Biffa Waste Limited*1	England and Wales	Dormant	100%
Biffa Holdings (Jersey) Limited*2	Jersey	Dormant	100%
Biffa UK Group Limited*1	England and Wales	Dormant	100%
Biffa UK Limited*1	England and Wales	Dormant	100%
Biffa (UK) Holdings Limited*1	England and Wales	Dormant	100%
UK Waste Management Holdings Limited*1	England and Wales	Dormant	100%
Biffa (Land) Limited*6	Guernsey	Waste management	100%
Pilmuir Waste Disposal Limited*1	England and Wales	Dormant	100%
Biffa (Roxby) Limited*1	England and Wales	Dormant	100%
Norwaste Limited*1	England and Wales	Dormant	100%
Loristan Services Ltd	England and Wales	Dormant	100%
Biffa West Sussex Holdco Limited*1	England and Wales	Dormant	100%
Bray 2008 (Malta) Limited*7	Malta	Holding company	100%
Reclamation & Disposal Limited*1	England and Wales	Dormant	100%
Biffa Holdings Limited*1	England and Wales	Holding company	100%
Biffa (Jersey) Limited*2	Jersey	Holding company	100%
Richard Biffa (Reclamation) Limited*1	England and Wales	Dormant	100%
M Joseph & Son (Birmingham) Limited*1	England and Wales	Dormant	100%
Biffa Pension Scheme Trustees Limited*1	England and Wales	Dormant	100%
Cressex Insurance Services Limited*1	England and Wales	Dormant	100%
White Cross Limited*1	England and Wales	Dormant	100%
Wastedrive Limited*1	England and Wales	Dormant	100%
Wastedrive (Manchester) Limited ¹	England and Wales	Waste management	100%
Amber Engineering Limited*1	England and Wales	Waste management	100%
O'Brien Waste Recycling Solutions Holdings Limited*1	England and Wales	Dormant	100%
O'Brien Waste Recycling Solutions Limited*1	England and Wales	Dormant	100%
New Star Environmental Limited***1	England and Wales	Waste management	100%

Notes to the Consolidated Financial Statements continued

35. Non-principal Subsidiary Undertakings continued

Name	Country of incorporation	Activity	Shareholding
SWR Smash & Grab Limited*** ¹	England and Wales	Waste management	100%
RUR3 Environmental Limited*** ¹	England and Wales	Waste management	100%
SWRNewstar Limited* ¹	England and Wales	Dormant	100%
Company Shop Holdco Limited* ¹	England and Wales	Waste management	100%
Simply Waste Solutions Limited**** ¹	England and Wales	Dormant	100%
Community Shop C.I.C**** ⁹	England and Wales	Other retail non-specialist	100%
Weir Waste Services Limited* ¹	England and Wales	Dormant	100%
Weir Recycling Services Limited* ¹	England and Wales	Dormant	100%
Island Waste Services Limited* ¹	England and Wales	Waste management	100%
Barge Waste Management Limited* ¹	England and Wales	Waste management	100%
Protos Investco Limited	England and Wales	Waste management	100%
Protos Holding Limited** ⁸	England and Wales	Energy recovery from waste	25%
Protos ERF Limited** ⁸	England and Wales	Energy recovery from waste	25%
Newhurst ERF Holding Limited** ⁸	England and Wales	Energy recovery from waste	50%
Newhurst ERF Limited** ⁸	England and Wales	Energy recovery from waste	50%

* Financial year ended 26 March 2021

** Financial year ended 31 December 2021

*** Financial year ended 31 March 2021

**** Financial year ended 31 March 2022

***** Financial year ended 31 August 2020

***** Directly held by Biffa plc.

1 Registered at Coronation Road, Cressex, High Wycombe, Buckinghamshire HP12 3TZ.

2 Registered at 44 Esplanade, St Helier, Jersey, JE4 9WG.

4 Registered at Jupiter Building, 2nd Floor, Herikerbergweg 88, 1101 CM Amsterdam, The Netherlands

5 Registered at Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY19005

6 Registered at PO Box 119, Martello Court, Admiral Park, St Peter Port, Guernsey, GY1 3H.

7 Registered at 171 Old Bakery Street Valletta, VLT 1455 Malta

8 Registered at Suite 1, 3rd Floor 11-12 St. James's Square, London, England, SW1Y 4LB

9 Registered at Wentworth Way, Tankersley, Barnsley, South Yorkshire, S75 3DH

36. Dividends

The Board recommends there will be no final dividend for the year ended 26 March 2021.

37. Post Balance Sheets

On 20 May 2021 Biffa reached agreement to acquire a post-consumer plastics recycling facility ('PRF') from Green Circle Polymers Ltd ('GCP') in Grangemouth, Scotland for £9.6m. The acquisition of GCP will strengthen Biffa's Polymers business with increased capacity to recycle more plastic within the UK. The timing of the GCP acquisition is favourable with Scotland's Deposit Return Scheme being introduced in July 2022. GCP is Scotland's only PRF and will be extremely well placed to process these materials.

On 21 May 2021, the Group reached agreement to buy Viridor's Collection business and certain recycling assets. While a deal has been agreed, the deal will not complete until the necessary preparations and legal aspects have been completed and regulatory approval has been received for the deal. This is expected to happen by August 2021. Expected cash consideration is £126.0m and £17.0m of lease liabilities will be taken on.

Parent Company Statement of Financial Position

The parent company statements are prepared under FRS 101 and relate to the Company and not to the Group. The financial statements are prepared under the historical cost convention. The accounting policies which have been applied to these accounts can be found on page 142 and a separate independent auditor's report on pages 124 – 134.

	Notes	2021 £m	2020 (restated) £m
Assets			
Non-current assets			
Investments	2	256.4	255.8
Trade and other receivables	3	105.7	15.6
		362.1	271.4
Current assets			
Derivatives financial instruments		–	0.4
Cash and cash equivalents	4	0.2	0.1
Current liabilities			
Derivatives financial instruments	5	(3.0)	(1.3)
Trade and other payables	6	(0.2)	(33.6)
Net current liabilities		(3.0)	(34.4)
Net assets		359.1	237.0
Equity			
Called up share capital	7	3.1	2.5
Share premium		247.0	235.3
Merger reserve		95.8	–
Retained earnings**		16.1	0.2
Hedge reserve*		(2.9)	(1.0)
Total surplus attributable to shareholders		359.1	237.0

* Previously the hedge reserve also held shares purchased by the employee benefits trust (EBT). To aid better disclosure, the hedge reserve has been restated to show only movements relating to hedging related activity. Share purchases by the employee benefits trust are now disclosed as part of retained earnings reserve movements in line with the Group. The FY19 opening retained earnings balance and hedge reserve balance has been restated to transfer £5.1m relating to the EBT from the hedge reserve to retained earnings. In FY20, movements relating to the EBT that were previously included within the hedge reserve have been restated as movements within retained earnings; this includes £2.4m relating to value of employee service in respect of share option schemes (net of NICs) and £8.8m relating to shares purchased by the employee benefit trust. Included in retained earnings are 3,204,318 shares (2020: 2,216,549) held by EBT of £5.9m (2020: £4.7m); shares purchased by the EBT in the year was £4.4m (2020: £8.8m).

** The retained earnings balance for FY20 has been restated to reflect a timing difference relating to the receipt of dividend income. In the prior year financial statements £18.3m of cash received was recorded as dividend income from a group subsidiary undertaking. However, this payment had not been approved by the Directors of the subsidiary in line with local regulations at the date of signing and therefore should not have been classified as dividend income. The FY20 Statement of Financial Position has been restated to reclassify the dividend income that was incorrectly recognised previously as a reduction to amounts due from subsidiary undertakings. This was rectified in FY21 and has now been recorded as dividend income in FY21.

Retained profit for the year was £17.1m (2020 restated: £0.4m).

The Financial Statements on pages 185 – 190 were approved by the Board and authorised for issue on 10 June 2021 and signed on its behalf by:



Richard Pike
Director Biffa plc

Registered no: 10336040

Parent Company Statement of Changes in Equity

	Called up share capital £m	Share premium £m	Merger reserve £m	Hedge reserve (restated)* £m	Retained earnings (restated)** £m	Total equity £m
As at 29 March 2019 (as previously reported)	2.5	235.3	–	4.7	20.2	262.7
Adjustment in respect of change in accounting policy	–	–	–	(5.1)	5.1	–
As at 29 March 2019 (restated)	2.5	235.3	–	(0.4)	25.3	262.7
Loss for the period (restated)	–	–	–	–	(0.4)	(0.4)
Other comprehensive income for the period	–	–	–	(0.6)	–	(0.6)
Total comprehensive loss	–	–	–	(0.6)	(0.4)	(1.0)
Shares purchased by employee benefits trust	–	–	–	–	(8.8)	(8.8)
Value of employee service in respect of share option schemes (excluding NICs)	–	–	–	–	2.4	2.4
Dividends paid	–	–	–	–	(18.3)	(18.3)
As at 27 March 2020	2.5	235.3	–	(1.0)	0.2	237.0
Profit for the period	–	–	–	–	17.1	17.1
Other comprehensive income for the period	–	–	–	(1.9)	–	(1.9)
Total comprehensive income/(loss)	–	–	–	(1.9)	17.1	15.2
Shares purchased by employee benefits trust	–	–	–	–	(4.4)	(4.4)
Value of employee service in respect of share option schemes (excluding NICs)	–	–	–	–	3.2	3.2
Equity Raise	0.5	1.3	95.8	–	–	97.6
Shares issued	0.1	10.4	–	–	–	10.5
As at 26 March 2021	3.1	247.0	95.8	(2.9)	16.1	359.1

* Previously the hedge reserve also held shares purchased by the employee benefits trust (EBT). To aid better disclosure, the hedge reserve has been restated to show only movements relating to hedging related activity. Share purchases by the employee benefits trust are now disclosed as part of retained earnings reserve movements in line with the Group. The FY19 opening retained earnings balance and hedge reserve balance has been restated to transfer £5.1m relating to the EBT from the hedge reserve to retained earnings. In FY20, movements relating to the EBT that were previously included within the hedge reserve have been restated as movements within retained earnings; this includes £2.4m relating to value of employee service in respect of share option schemes (net of NICs) and £8.8m relating to shares purchased by the employee benefit trust. Included in retained earnings are 3,204,318 shares (2020: 2,216,549) held by EBT of £5.9m (2020: £4.7m); shares purchased by the EBT in the year was £4.4m (2020: £8.8m).

** The retained earnings balance for FY20 has been restated to reflect a timing difference relating to the receipt of dividend income. In the prior year financial statements £18.3m of cash received was recorded as dividend income from a group subsidiary undertaking. However, this payment had not been approved by the Directors of the subsidiary in line with local regulations at the date of signing and therefore should not have been classified as dividend income. The FY20 Statement of Financial Position has been restated to reclassify the dividend income that was incorrectly recognised previously as a reduction to amounts due from subsidiary undertakings. This was rectified in FY21 and has now been recorded as dividend income in FY21.

As permitted by section 408 of the Companies Act 2006, the Company has not presented its own income statement or statement of comprehensive income. The profit of the Company for the year attributable to shareholders was £17.1m (2020 restated: £0.4m).

In May 2020, the Company incorporated a Jersey registered “cash box” company. This was used to facilitate the equity raise of 49,339,233 ordinary shares of 1p each at a placing price of £2.00 each. The transactions satisfied all required conditions under section 612 of the UK Company Act 2006 to obtain merger relief and therefore the excess of the net proceeds over the nominal value of the shares has been credited to a merger reserve rather than share premium. The net proceeds of the “cash box” equity raise was £95.8m, recognised in the merger reserve. At the same time, 660,766 shares were directly issued to the Board and executive management team as part of the equity raise. The net proceeds of the direct issue was £1.3m which has been recognised share premium. The equity raise generated total proceeds of £100m and Biffa plc received cash proceeds of £97.6m net of expenses. The amount within the merger reserve relating to this equity raise is now a distributable reserve.

Accounting Policies to the Parent Company Financial Statements

Basis of preparation

These Financial Statements relate to Biffa plc, a publicly traded company incorporated and domiciled in England and Wales. The registered address is Coronation Road, Cressex, High Wycombe, Buckinghamshire, HP12 3TZ.

These Financial Statements present the results of the Company as an individual entity and are prepared on the going concern basis, in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006.

The Company is part of a larger group and participates in the Group's centralised treasury and banking arrangements. The Company is expected to generate positive cash flows to continue to operate in the foreseeable future.

The Company has not presented its own income statement or statement of comprehensive income as permitted by section 408 of the Companies Act 2006.

The Financial Statements have been prepared in accordance with the accounting policies set out below, which have been consistently applied to all the years presented except where the Company has elected to take the following exemptions under FRS 101:

- The requirements of IAS 7 'Statement of Cash Flows'.
- The requirements of paragraph 17 of IAS 24 'Related Party Disclosures' in respect of key management personnel.
- Requirements of IAS 24 'Related Party Disclosures' to disclose transactions between wholly owned members of the Group.
- The requirements of IFRS 7 'Financial Instruments: Disclosures', as equivalent disclosures are provided in the consolidated Financial Statements of the Group to which the Company belongs.
- The requirements of IFRS 2 'Share-based Payments'.
- The requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurements', as equivalent disclosures are presented in the consolidated Financial Statements.

Areas of judgement and key sources of estimation uncertainty

Judgement

Due to the uncertainty following Covid-19 the company considers Expected Credit Loss (ECL) on inter-company balances to be a key judgement.

Estimation

The Company does not have any key assumptions concerning the future, or other key areas of estimation uncertainty in the reporting period that may have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year.

Investments

Investments are initially stated at cost. Investments are tested for impairment when an event that might affect asset value has occurred.

An impairment loss is recognised to the extent that the carrying amounts cannot be recovered either by selling the asset or by the discounted future cash flows from the investment.

Dividend distribution

Final dividend distribution to the Company's shareholders is recognised as a liability in the Company's Financial Statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

Other receivables

Other receivables are recognised initially at fair value less any provision for expected credit loss. They are subsequently held at amortised cost less any provision for expected credit loss.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured at fair value at each balance sheet date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

The Company designates certain derivatives as either a) fair value hedge (hedges of the fair value of recognised assets or liabilities); or b) cash flow hedge (hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction); or c) net investment hedge (hedges of net investments in foreign operations).

The Company documents the transaction relationship between the hedging instruments and hedged items at inception. At inception and at each reporting date the Company assesses whether the derivatives used have been highly effective in offsetting changes in the fair value of hedged items.

The fair values of derivative instruments used for hedging are shown in Note 5. Movements in the hedging reserve are shown in the statement of changes in equity.

At the reporting date the Company has no fair value hedges or net investment hedges.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges are recognised in equity. The Company's cash flow hedges in respect of forward foreign exchange contracts result in recognition in either income statement or in the hedging reserve.

When a hedging instrument expires or is sold, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in equity at that time remains in equity and is recognised when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity will be transferred to the income statement.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

Other payables

Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Share capital

Ordinary shares are classified as equity and are recorded at par value of proceeds received. Where shares are issued above par value, the proceeds in excess of par value are recorded in the share premium account net of direct issue costs.

Notes to the Parent Company Financial Statements

1. Employees and Directors

Details of the remuneration received by Directors of Biffa plc are included in the Directors' Remuneration Report on pages 108 – 120. Biffa plc has two employees (2020: two).

2. Investments

	£m
As at 29 March 2019	255.7
Movements relating to share options granted/(issued) on behalf of subsidiary employees	0.1
As at 27 March 2020	255.8
Movements relating to share options granted/(issued) on behalf of subsidiary employees	0.6
As at 26 March 2021	256.4

There have been no indicators of impairment during the year and no requirement for impairment. The Directors believe that the carrying value of the investments is supported by their underlying net assets.

Disclosure of the Company's joint venture and subsidiaries is given in Notes 32 and 35 of the Group Financial Statements.

3. Trade and Other Receivables

	2021 £m	2020 (restated) £m
Amounts falling due after more than one year		
Amounts due from subsidiary undertaking	105.7	15.3
Other receivables	–	0.3
Total	105.7	15.6

The Directors consider that the carrying amount of trade receivables approximates their fair value.

4. Cash and Cash Equivalents

	2021 £m	2020 £m
Cash at bank and in hand	0.2	0.1

5. Fair Value of Financial Assets and Liabilities

	2021		2020 (restated)	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Financial assets and liabilities				
Trade and other receivables	105.7	105.7	15.6	15.6
Cash and cash equivalents	0.2	0.2	0.1	0.1
Derivative liabilities	(3.0)	(3.0)	(1.3)	(1.3)
Trade and other payables	(0.2)	(0.2)	(33.6)	(33.6)
Total financial assets and liabilities	102.7	102.7	(19.2)	(19.2)

Derivative financial instruments

Full details of the derivative financial instruments are disclosed in Note 18 of the Group Consolidated Statements. The fair value and the notional amounts are as follow:

	2021		2020	
	Fair value £m	Notional £m	Fair value £m	Notional £m
Forward foreign exchange contracts	(0.3)	6.2	0.4	10.9
Interest rate swaps	(2.7)	150.0	(1.7)	200.0

6. Trade and Other Payables

	2021 £m	2020 £m
Non-current		
Amounts payable to subsidiary undertakings	(0.2)	(33.6)
Total trade and other payables	(0.2)	(33.6)

All creditors are unsecured. The fair value of non-derivative financial assets and liabilities are determined based on discounted cash flow analysis using current market rates for similar instruments.

7. Reserves

Share capital

	Number of shares	Called up share capital £
As at 27 March 2020	250,000,000	2,500,000
Equity Raise	50,000,000	500,000
Share issue	5,599,408	55,994
As at 26 March 2021	305,599,408	3,055,994

Share premium

The share premium represents amounts received in excess of the nominal value of shares issued upon IPO, net of the direct costs associated with issuing those shares.

	£m
As at 27 March 2020	235.3
Equity Raise*	1.3
Share issue	10.4
As at 26 March 2021	247.0

* In May 2020, the Company incorporated a Jersey registered "cash box" company. This was used to facilitate the equity raise of 49,339,233 ordinary shares of 1p each at a placing price of £2.00 each. The transactions satisfied all required conditions under section 612 of the UK Company Act 2006 to obtain merger relief and therefore the excess of the net proceeds over the nominal value of the shares has been credited to a merger reserve rather than share premium. The net proceeds of the "cash box" equity raise was £95.8m, recognised in the merger reserve. At the same time, 660,766 shares were directly issued to the Board and executive management team as part of the equity raise. The net proceeds of the direct issue was £1.3m which has been recognised share premium. The equity raise generated total proceeds of £100m and Biffa plc received cash proceeds of £97.6m net of expenses. The amount within the merger reserve relating to this equity raise is now a distributable reserve.

Merger reserve

	£m
As at 27 March 2020	–
Equity Raise*	95.8
As at 26 March 2021	95.8

* In May 2020, the Company incorporated a Jersey registered "cash box" company. This was used to facilitate the equity raise of 49,339,233 ordinary shares of 1p each at a placing price of £2.00 each. The transactions satisfied all required conditions under section 612 of the UK Company Act 2006 to obtain merger relief and therefore the excess of the net proceeds over the nominal value of the shares has been credited to a merger reserve rather than share premium. The net proceeds of the "cash box" equity raise was £95.8m, recognised in the merger reserve. At the same time, 660,766 shares were directly issued to the Board and executive management team as part of the equity raise. The net proceeds of the direct issue was £1.3m which has been recognised share premium. The equity raise generated total proceeds of £100m and Biffa plc received cash proceeds of £97.6m net of expenses. The amount within the merger reserve relating to this equity raise is now a distributable reserve.

8. Related Party Transactions

There have been no material related party transactions in the 52 weeks ended 26 March 2021 (2020: nil) except for key management compensation as set out in the report of the remuneration committee.

Notes to the Parent Company Financial Statements continued

9. UK Registered Subsidiaries Exempt from Audit

Biffa plc is the ultimate parent company in the Biffa Group. The following UK subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the period ended 26 March 2021. Unless otherwise stated, the undertakings listed below are 100% owned, either directly or indirectly, by Biffa plc.

Name	Proportion of shares held by subsidiary (%)	Company number
GS Acquisitions Limited	100%	07255980
Biffa GS Holdings Limited	100%	04602885
Biffa GS UK Holdings Limited	100%	04631832
Biffa GS (LPP) Limited	100%	02276396
Biffa GS Environmental Limited	100%	03446693
Biffa GS Environmental Recycling Limited	100%	04786413
Biffa GS (M&B) Limited	100%	01173504
Biffa GS (FC) Limited	100%	04800628
Biffa Group Holdings (UK) Limited	100%	04081901
UK Waste Management Limited	100%	01362615
Biffa Waste Management Limited	100%	01138022
Wastedrive (Manchester) Limited	100%	01517244
Biffa Holdings Limited	100%	01032104
Barge Waste Management Limited	100%	02849409
Island Waste Services Limited	100%	01552791
Poplars Resource Management Company Limited	100%	02630491
Amber Engineering Limited	100%	01067283
Specialist Waste Recycling Limited	100%	SC324466
New Star Environmental Limited	100%	07306131
SWR Smash & Grab Limited	100%	05667032
RUR3 Environmental Limited	100%	06304761
CAMO Limited	100%	06524298

In accordance with section 479C of the Companies Act 2006, the Company will guarantee the debts and liabilities of the above UK subsidiary undertakings. As at 26 March 2021 the total sum of these debts and liabilities is £51.0m (2020: £33.7 m).

Glossary

A		F	
Acquisition Net Revenue Growth	Acquisition Net Revenue Growth in any period represents the Net Revenue Growth in the relevant period from (i) acquisitions completed in the relevant period and (ii) acquisitions completed in the 12 months ended to the start of the relevant period up to the 12 month anniversary of the relevant acquisition date (to the extent such Net Revenue falls in the current period). Acquisition Revenue Growth is calculated on the same basis, using revenue in place of Net Revenue	FTSE	Financial Times Stock Exchange
Adjusting Items	Items of income and expense that are considered by management for designation as adjusting items include items such as significant corporate restructuring costs, acquisition-related costs, write downs or impairments of non-current assets, movements on onerous contract provisions and strategy-related and restructuring costs	FY	Financial Year
Admission	The Company's admission of its shares to the UK Listing Authority's Official List and listing on the Main Market of the London Stock Exchange on 20 October 2016	G	
Anaerobic Digestion	Anaerobic digestion, a process that generates renewable electricity using biogas created from biodegradable waste material (primarily food waste) in the absence of oxygen	GDPR	General Data Protection Regulation
APM	Alternative Performance Measures	GHG	Greenhouse gas
C		GRI	Global Reporting Initiative
Circular economy	"A circular economy offers opportunities for better growth, through an economic model that is resilient, distributed, diverse, and inclusive. It tackles the root causes of global challenges such as climate change, biodiversity loss, and pollution, creating an economy in which nothing becomes waste, and which is regenerative by design" ¹	H	
CO₂e	Carbon dioxide equivalent is a standard unit in carbon accounting to quantify greenhouse gas emissions, emissions reductions and carbon credits	HDPE	High-density polyethylene
E		I	
Earnings per Share excluding adjusting items	Earnings per Share excluding adjusting items is expressed as profit after tax excluding adjusting items divided by the weighted average number of shares in the year	I&C	Industrial and commercial business
EBITDA excluding adjusting items	Profit before depreciation and amortisation, adjusting items, finance costs and taxation. Divisional EBITDA excluding adjusting items is stated after allocation of shared services costs	IPO	Initial Public Offering
EFW	Energy from waste, typically from the incineration of RDF	K	
ERF	Energy recovery facility	KPIs	Key Performance Indicators
ESG	Environmental, Social and Governance	ktns or kt	Thousand tonnes
ESOS	Energy Savings Opportunity Scheme – a mandatory energy assessment scheme for organisations in the UK that meet the qualification criteria	L	
EV	Electric Vehicle	Leverage Ratio	Ratio of Reported Net Debt to EBITDA excluding adjusting items
EVP	Engineered into the void permanently, related to the use of certain material at a landfill site, placed at specified depths immediately below the geomembrane layer at the top of a landfill cell, for use in capping the site	LTI	Lost Time Injury Frequency rate, a safety benchmarking measure calculated as the number of lost time injuries occurring in a workplace per 100,000 hours worked
		M	
		M&A	Mergers & acquisitions
		Materiality Assessment	An assessment which determines an organisations material sources of Environmental, Social and Governance risk and opportunity to inform sustainability reporting processes
		MRF	Materials recycling facility
		MW	Megawatt
		MWh	Megawatt hour
		N	
		Net Capex	Cash capex less proceeds from disposal of tangible assets
		Net Revenue	Statutory Revenue excluding landfill tax, unless stated otherwise, 'revenue' refers to Statutory Revenue
		Net Zero	Net zero refers to achieving a balance between the amount of greenhouse gas emissions produced and the amount removed from the atmosphere.

1 Ellen MacArthur Foundation, Universal Circular Economy Goals 2021, Executive Summary page 6: <https://emf.thirdlight.com/link/kt00azuibf96-ot2800/@/preview/1?o>

Glossary continued

O

Operating Profit excluding adjusting items	Profit before adjusting items, finance costs and taxation. Divisional operating profit excluding adjusting items is stated after allocation of shared service costs
Operating Profit Margin excluding adjusting items	Operating Profit margin excluding adjusting items is expressed as Operating Profit excluding adjusting items as a percentage of Statutory Revenue
Organic Net Revenue Growth	The increase/(decrease) in net revenue in the period excluding net revenue from acquisitions completed in the period and net revenue from acquisitions completed in the prior period up to the anniversary of the relevant acquisition date, to the extent such net revenue falls in the current period. Organic net revenue growth can be expressed both as an absolute financial value and as a percentage of prior period revenue

P

PET	Polyethylene terephthalate
PP	Polypropylene
Profit after Tax excluding adjusting items	Profit after tax excluding adjusting items is the profit or loss for the period before adjusting items
PSP	Performance Share Plan

R

RCF	Revolving credit facility
RDF	Refuse-derived fuel, produced by processing solid waste to segregate largely combustible components for incineration
Recyclate	Raw material sent to, and processed in, a waste recycling plant or materials recycling facility
Reported Net Debt	Net Debt excluding the EVP preference instrument
Return on Capital Employed (ROCE)	Operating Profit excluding adjusting items less amortisation of acquisition intangibles divided by the average of opening and closing shareholders' equity, Net Debt (including lease liabilities), pensions and environmental provisions
Return on Operating Assets (ROOA)	Operating Profit excluding adjusting items divided by the average of opening and closing Tangible Fixed Assets plus net working capital
RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013
ROC	Renewable Obligations Certificate

S

SASB	Sustainability Accounting Standards Board
SDGs	Sustainable Development Goals – a collection of 17 global goals (set by the UN) designed to be a “blueprint to achieve a better and more sustainable future for all”
Section 172 or s172	Section 172 of the Companies Act 2006
SHEQ	Safety, health, environment and quality
SIP	Share Incentive Plan
Stakeholder	A stakeholder is a party that has an interest in a company and can either affect or be affected by the business
Surplus	The amount of an asset or resource that exceeds the portion that's actively utilised
SWR	Specialist Waste Services

T

TCFD	Task Force on Climate-related Financial Disclosures
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U

UN	United Nations
Underlying Free Cash Flow	The net increase/(decrease) in cash and cash equivalents excluding dividends, adjusting items, acquisitions, movement in financial assets and movements in borrowings or share capital (but including ease principal payments)

V

vlogs	Video blogs
Void	Measure of potential capacity of a landfill site in cubic metres

W

Working Capital Movement	Working Capital Movement represents the movement from the previous period in relation to inventories, trade and other receivables, trade and other payables and provisions adjusted for the impact of acquisitions on these balances
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Corporate Information

Registered Office

Biffa plc
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HP12 3TZ

Registrar

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Auditor

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Corporate Brokers

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EC2A 8HQ

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Forward-looking statements

Certain statements made in this Annual Report are forward-looking and are based on current expectations. The statements are subject to assumptions, inherent risks and uncertainties, many of which are beyond the Company's control and which could cause actual results to differ significantly from those expected. Unless required by law, regulations or accounting standards, the Company does not undertake to update or revise any forward-looking statement, whether as a result of new information or future developments. Any forward-looking statements made by or on behalf of the Group speak only as of the date that they are made and are based on knowledge and information available to the Directors on the date of this Annual Report. Nothing in this Annual Report should be regarded as a profit forecast or constitute an offer to sell or an invitation to buy any shares in Biffa plc.

Website

The Company's website www.biffa.co.uk/investors gives additional information on the business. Notwithstanding the references made in the Annual Report to the website, none of the information made on the website constitutes part of this Annual Report or is deemed to be incorporated by reference herein.

Inside the production of this report

The printer

The printer is an Eco-Management and Audit Scheme ("EMAS") certified company. EMAS is designed to improve environmental performance of companies. Its environmental management system is certified to ISO14001.

The material

This document is printed on carbon balanced revive silk paper, accredited by the World Land Trust. Revive 100 Silk is made from 100% Recycled fibre and is certified in accordance with the Forest Stewardship Council®.

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Carbon emissions generated during the manufacture and delivery of this report have been reduced to net zero through a verified carbon offsetting project.

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