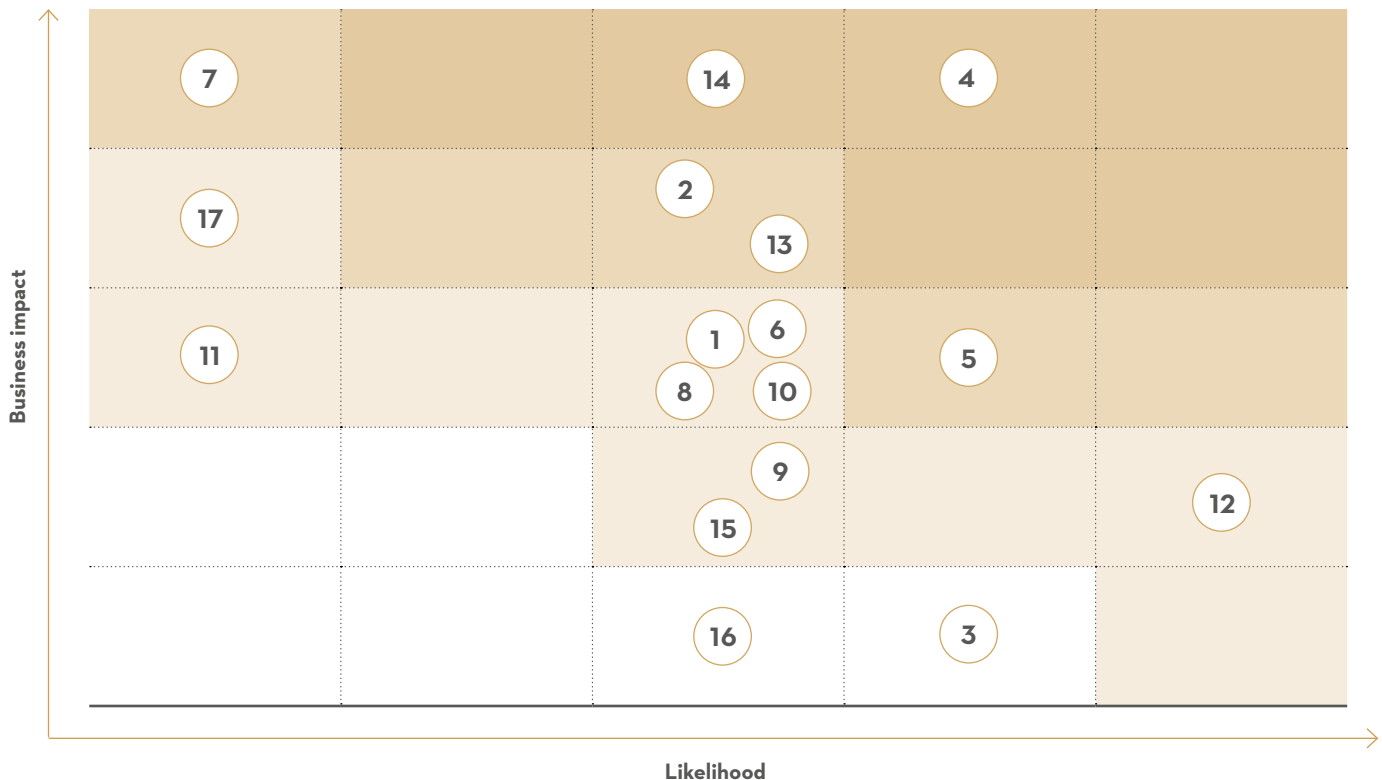


# PRINCIPAL RISKS AND UNCERTAINTIES

## Risk assessment map

Category		Principal risks	Risk owner	Risk trend
Strategic	1.	Competitor Activity	Group Marketing Director	↔
	2.	Climate Change	Head of Sustainability, Strategy and ESG	↑
	3.	Growth and Change	Group Marketing Director	↔
Commercial	4.	Reliance on Key Customer and Exports	Export Director	↑
	5.	Consumer Demand	Group Marketing Director	↑
	6.	Pig Meat Availability and Price	Pork Procurement Director	↔
	7.	Adverse Media Attention	Group Marketing Director	↑
Financial	8.	Interest Rate, Currency, Liquidity and Credit Risk	Director of Group Reporting and Control	↑
Operational	9.	Health and Safety	Head of Health and Safety	↔
	10.	Food Scares and Product Contamination	Group Technical Director	↔
	11.	Disruption to Group Operations	Group Technical Director	↔
	12.	IT Systems and Cyber Security	Group IT Director	↑
	13.	Labour Availability and Cost	Group HR Director	↓
	14.	Disease and Infection within Livestock	Group Technical Director	↔
	15.	COVID-19	Group HR Director	↓
	16.	Brexit Disruption	Head of Tax	↓
	17.	Recruitment and Retention of Key Personnel	Group HR Director	↔



In preparation for the introduction of the new risk management IT system, the Group revised the likelihood and impact matrix (which includes a number of financial and non-financial parameters) at the start of the year. This has had an impact on the ability to make direct comparisons and track movements to prior year risks.



# PRINCIPAL RISKS AND UNCERTAINTIES

## CONTINUED

The principal risks and uncertainties facing the Group are summarised below:

### Risk trend

↑ Risk increased

↔ Risk unchanged

↓ Risk decreased

### Strategic enablers



Supply chain



Lean processing



Iconic and relevant products



Customer relationships

## STRATEGIC

### Competitor activity



#### Risk description and impact

Product innovation, changing consumer trends and operating in highly competitive markets provide a constant challenge to the future success of the Group.



#### Mitigation strategy

The Group maintains and develops strong working relationships with its customers which are underpinned by delivering high levels of customer service, quality products and by continued focus on product development and innovation. Emerging trends and risks associated with competitor activity are regularly discussed by the Board with appropriate actions developed.

#### Actions in 2022/23

- We have renewed a number of long-term contracts with key customers based on product quality, supply chain security, commercial terms and reputation.
- We have benchmarked our performance with key customers to other operators as part of the Advantage Survey.

### Climate change



#### Risk description and impact

The impacts that climate change and sustainability have on the Group's regulatory compliance, financial performance and operational activities including supply chain, farming and manufacturing operations, communities and customers need to be continually addressed.



#### Mitigation strategy

The Group continues to develop its Second Nature programme with a focus on improving production efficiency, reducing carbon emissions, reducing weight of packaging and identifying alternative options to decrease reliance on imported soya for feed.

#### Actions in 2022/23

- We continued to disclose our climate change performance through the globally recognised CDP system. Specifically in 2022 our grade increased to A for Climate (grade B for 2021).
- We continued to invest in on site generation to drive self sufficiency and efficiency which included the installation and roll out of solar panels on sites that can accommodate them.

### Growth and change



#### Risk description and impact

The continued growth of the Group is underpinned by securing contracts with new customers, obtaining additional contracts with existing customers and reviewing acquisition opportunities. In addition, the Group continues to navigate through both internal and external change requirements such as regulatory changes, which could present operational and compliance challenges.



#### Mitigation strategy

The Board receives regular updates on the contractual position of all key customers and where required, implements necessary actions. Rigorous pre-acquisition due diligence reviews are carried out for any business acquisitions. Internal and external change requirements are appropriately considered to ensure operational excellence and compliance, with performance being monitored by senior management and operational staff.

#### Actions in 2022/23

- The business has continued to invest in capability across the Group, both within existing facilities and newly acquired businesses.
- We have further developed new revenue streams including pet food, breaded poultry and 'slow cook' categories, and the expansion of Ramona's brand has secured distribution in the retail channel.



## COMMERCIAL

## Reliance on key customers and exports



## Risk description and impact

A significant proportion of the Group's results are generated from a small number of major customers and export sales. Loss of all or part of the Group's business with one or more of these customers or loss of an export licence for a prolonged period of time, could adversely impact the Group's financial performance.



## Mitigation strategy

The Group continually pursues opportunities to expand its customer base across all product categories and works closely with UK and export customers to ensure service, quality, food safety and new product developments are of the highest standard.

## Actions in 2022/23

- We continue to work closely with the Government and associated trade bodies to help improve relationships with China and other countries that the Group exports to.
- We have continued to strengthen relationships with major customers and proactively engaged with potential new customers and markets.

## Consumer demand



## Risk description and impact

A significant deterioration in the UK economy, or a change in food consumption patterns could lead to a fall in demand for the Group's products.



## Mitigation strategy

The Group works closely with its key customers to adapt to changing consumer requirements and constantly reviews emerging trends in consumer eating habits. The Group offers a range of products across premium, standard and value tiers which it is able to flex accordingly. Pig and poultry meat remain extremely competitively priced and sought-after products even in volatile economic conditions.

## Actions in 2022/23

- We have worked with our customers to continue to promote our product ranges and adapted our offerings including entry level product ranges.
- We continue to work with retailers and industry bodies to promote the role of meat as part of a healthy, balanced and sustainable diet.

## Pig meat availability and price



## Risk description and impact

The Group is uniquely exposed to issues associated with the pricing and availability of pig meat. An increase in pig prices or a lack of availability of pig meat could adversely impact the Group's operations and the ability to supply key customers.



## Mitigation strategy

The Group has a trusted long-standing farming supply base that is complemented by supply from the Group's own farms, which have been increased by acquisitions and investment over recent years. These arrangements help to mitigate the risks associated with pig price volatility and the availability of supply.

## Actions in 2022/23

- We have developed our operations at Wold, White Rose and Wayland Farms to increase the number of pigs supplied from our own farms to help uplift our own self sufficiency of supply.
- We continue to develop relationships with local farmers to buy pigs on short-term agreements when required.

## Adverse media attention



## Risk description and impact

The Group may be subject to reputational damage from adverse media and or social media coverage, as a result of alleged animal welfare incidents, protests, vigils or other operational challenges.



## Mitigation strategy

The Group closely monitors media attention relating to both our business and the industry we operate in. We have arrangements in place to identify, escalate and respond to media coverage in a consistent and appropriate manner.

## Actions in 2022/23

- We have enhanced our internal media monitoring processes and collaborated with other organisations to identify key issues.
- Additional training has been completed at sites to ensure colleagues are able to deal with any potential incursions appropriately.



# PRINCIPAL RISKS AND UNCERTAINTIES

## CONTINUED

### FINANCIAL

#### Interest rate, currency, liquidity and credit risk



##### Risk description and impact

The Group is exposed to interest rate risk on borrowings and, in specific areas, foreign currency fluctuations. In addition, the Group needs continued access to funding for current business activities, future growth and acquisitions.



##### Mitigation strategy

The Group uses currency hedging arrangements to mitigate risks associated with foreign currency movements. Sites have access to the Group's overdraft facility and bank balances are monitored on a daily basis by the Group Finance Team. All bank debt is arranged centrally, and appropriate headroom is always maintained.

##### Actions in 2022/23

- The Group has successfully extended its £250 million borrowing facility for an additional 12 months through to November 2026.
- We have continued to proactively monitor our currency, liquidity, interest and customer credit risks during the year.

### OPERATIONAL

#### Health and Safety



##### Risk description and impact

A significant breach of Health and Safety legislation could lead to reputational damage and regulatory penalties, including restrictions on operations, fines or personal litigation claims.



##### Mitigation strategy

The Group has robust Health and Safety processes and procedures in place which are periodically independently reviewed and conform to all relevant standards and regulations, as well as embracing industry best practice. All sites are subject to frequent audits by internal teams, customers, and regulatory authorities to ensure standards are being adhered to.

##### Actions in 2022/23

- Site verification audits have taken place across the business to ensure that Health and Safety is being managed appropriately and consistently.
- Sites have been aligned to both the Group's five-year Health and Safety and the Food and Drink Manufacture Forum (FDMF) strategies.

#### Food scares and product contamination



##### Risk description and impact

The Group is subject to the risk of accidental or deliberate product or raw material contamination, and potential health related industry-wide food scares. Such incidents could lead to product recall costs, reputational damage, and regulatory penalties.



##### Mitigation strategy

The Group ensures that all raw materials are traceable to original source and site manufacturing, storage and distribution systems and our suppliers are continually monitored. In addition, the Group has an established crisis management procedure in place to reduce potential impacts and improve communication to key internal stakeholders.

##### Actions in 2022/23

- The Group's manufacturing standard has been updated and re-issued to sites alongside the roll out of standardised signage across the Group.
- We have introduced Food Safety and Quality Committees at sites with representatives from all functions and shifts.

#### Disruption to group operations



##### Risk description and impact

The Group faces the risk of significant incidents such as fire, flood or loss of key utilities, together with the risk of disruption to day-to-day operations from issues such as the breakdown of key equipment. Such issues could result in the prolonged disruption to site operations.



##### Mitigation strategy

Robust continuity plans are in place across the Group and insurance arrangements exist to mitigate financial loss. Potential business disruption is minimised through multi-site operations across many of the Group's core product lines.

##### Actions in 2022/23

- We have continued to enhance existing crisis management and site continuity plans to minimise the impact of any disruption.
- In line with prior years, we continue to undertake preventative maintenance and test key items of plant and machinery to minimise breakdowns.



## OPERATIONAL CONTINUED

## IT systems and cyber security



## Risk description and impact

In common with other businesses, the Group is susceptible to cyber-attacks resulting in the risk of a financial loss and threat to the overall confidentiality and availability of systems data. Whilst no material cyber security breaches have occurred over the course of the year, the Board is mindful of the ongoing risks in this area given the increasing sophistication and evolving nature of this threat.



## Mitigation strategy

The Group has a robust IT control framework in place which is reviewed and tested on a frequent basis by internal teams and specialist third parties. Detailed procedures are also in place to reduce the potential risk of fraudulent supplier payment requests being processed, together with cyber insurance which provides specialist technical and legal support in the event of a significant cyber incident.

## Actions in 2022/23

- We have enhanced segmentation of our networks which has allowed greater visibility of network traffic.
- We have introduced immutable backups to reliably and effectively protect critical data from cyber threats and ensure its availability and integrity in case of an issue.

## Labour availability and cost



## Risk description and impact

Due to political and economic pressures, there is a risk that the Group's operations could be adversely impacted by either the lack of labour or specialist skills, and the associated increased cost.



## Mitigation strategy

The Group is continually reviewing and improving its recruitment processes and relationships with third-party agency providers to reflect changing market conditions and levels of pay. In addition, the Group is actively progressing options to employ more permanent members of staff and consider alternative methods of production, which embrace emerging technological advancements.

## Actions in 2022/23

- We have focused on recruiting agency staff onto permanent contracts and onboarded colleagues from the Philippines via specialist visa schemes.
- Automation continues to play a key role in our operations and enables the deployment of staff in other areas of the business to fill gaps and encourage efficiencies.

## Disease and infection within livestock



## Risk description and impact

A significant infection or disease outbreak such as African Swine Fever ('ASF') or Avian Influenza ('AI') could result in the loss of supply of pig or poultry meat or affect the free movement of livestock, which may impact the Group's operations.



## Mitigation strategy

The Group's pig farming activities, and other farms from which third-party pig meat is sourced, have a broad geographical spread to avoid reliance on a single production area. The Group's poultry flock is housed indoors therefore reducing the risk of disease. In addition, robust vaccination and bio-security protocols mitigate the risk of disease and infections within the Group's pig and poultry farms.

## Actions in 2022/23

- To prevent contamination, all non-essential visits to farms have been prohibited.
- We have re-issued our Pig Standard, highlighting our updated biosecurity measures.
- We continue to closely monitor and discuss with key industry stakeholders the global spread of both ASF and AI.

## COVID-19



## Risk description and impact

The COVID-19 pandemic has led to unprecedented challenges and issues. Whilst labour pressures relating to COVID-19 have eased this year, the Group may still experience disruption to its supply chain or operations as a result of a pandemic.



## Mitigation strategy

COVID-19 mitigations remain in place and are monitored for appropriateness as the Group navigates through the post-pandemic world.

## Actions in 2022/23

- We continue to monitor COVID-19 Government advice and the general health and wellbeing of our colleagues across the business by ensuring welfare measures are in place across our sites.



# PRINCIPAL RISKS AND UNCERTAINTIES

## CONTINUED

### OPERATIONAL CONTINUED

#### Brexit disruption



##### Risk description and impact

Failure to prepare for the final elements of the UK's departure from the EU and its associated regulatory changes could result in disruption to Group operations and impact our ability to supply customers.



##### Mitigation strategy

The Group Customs Team continuously monitor news and legislative developments to ensure that we react in a timely manner and prevent disruption to our operations and supply chains. During the year, the introduction of the Windsor Framework has provided the Group with more certainty on the requirements surrounding the movement of goods to and from Northern Ireland.

##### Actions in 2022/23

- We have robust customs processes and procedures in place which the Group Customs Team update to reflect latest developments, such as the Windsor Framework.
- We have worked with our UK suppliers that export to Northern Ireland to provide them with assurance that goods are of UK origin.

#### Recruitment and retention of key personnel



##### Risk description and impact

As the Group continues to pursue its growth strategy, the success of the business is dependent on attracting and retaining quality, skilled and experienced personnel.



##### Mitigation strategy

Across the Group robust recruitment processes, competitive remuneration packages and ongoing training and development plans are in place, with formalised succession planning in place for key personnel.

##### Actions in 2022/23

- We have recruited 12 graduates through our assessment centre this year across Commercial, IT, Technical and generalist schemes.
- Management training and succession planning continues at all levels up to and including the Board to secure our talent pipelines and ensure ongoing development for the future.