

Risk Report

The Directors recognise the need for a healthy system of internal controls and risk management. We have identified the following as the principal risks and uncertainties the Group faces.

Principle Risks and Uncertainties

Risk management is regarded as essential to achieve the Group's strategic and operational objectives. An annual, formal review of risks is carried out as an integral part of our strategic planning process.

Each business updates its risk register and the registers are presented to the Audit Committee together with mitigating actions. Following a preliminary recommendation by the Audit Committee, the Board reviews the highest risk items for the Group and the mitigations.

The following show the risks considered material, how they have evolved year-on-year and the principal mitigating actions.

External

01 Cyber Security

Movement in year

Principle Risk

- The exposure to random and malicious attacks from Cyber criminals always exists. Protecting key information assets is of critical importance.

Mitigation

The following actions are in place to manage this risk and are supported by software solutions (i.e. antivirus software and anti-phishing software).

- Training and awareness of the Group's IT Acceptable Usage Policy.
- Reviews with software and service providers.
- Preparation of crisis and continuity plans.
- Vendor risk assessment questionnaire completion with key suppliers.



Commentary

Increased risk offset by enhanced mitigations.

External

02 Government Legislation



Movement in year

Principle Risk

- The proposed legislation to be introduced in October 2022 around high fat and salt could have a detrimental impact on demand.

Mitigation

- Early engagement of development teams internally and collaboration with customers to ensure products meet legislative requirements and appeal to consumers.

External

03 Pandemic



Movement in year

Principle Risk

- The global pandemic introduces risk in many ways notably risk to the health and well-being of our employees.
- Attributed volatility and changes in demand have been experienced.
- The risk of disruption to internal and external resources could have an impact on the effective operating of the business.

Mitigation

- The priority is, and was, to ensure the safety of all employees and to make rapid changes to the way the business operates by establishing safe working practices based on social distancing and home working.
- Close working relationships with suppliers and customers.



Commentary

Early engagement will be key to compliance and to ensure our product offering remains appealing.



Commentary

The Group has traded successfully throughout the pandemic.

Operational

04 Health and Safety



Movement in year

Principle Risk

- Injury to employees remains an ongoing risk with potentially significant consequences.

Mitigation

- Existing Risk Management Steering Committee with oversight of a number of strategic processes and procedures. The H&S Committee is continuing to embed the HomeSafe Every Day Strategy.
- Induction and training programmes underpinned by our Operating Principle, People Who Care.
- Regular Board reviews and site visits.

**Commentary**

An area of continued focus and development.

Operational

05 Business Interruption or Fire



Movement in year

Principle Risk

- Risk of serious injury and loss of production capacity.
- An increased number of large-scale losses in the bakery sector has resulted in increases in insurance premium costs and a restriction in affordable capacity.

Mitigation

- Existing Risk Management Steering Committee with a number of strategic initiatives and related processes and procedures. Continued focus on preventative measures to reduce risk, including regular fire audits.

**Commentary**

Continued focus on preventative measures to reduce risk.

Financial

06 Pension Deficit



Movement in year

Principle Risk

- Changes in inflation, investment performance and demographics (life expectancy) leads to a larger deficit requiring increased Company contributions.

Mitigation

- Fiduciary Management Investment approach adopted which enables scheme trustees to execute their long-term strategies efficiently and target better outcomes.
- Appointed Professional Company Trustee to challenge approach and to bring knowledge from experiences with many other clients.



Commentary

An ongoing risk of deficit deterioration driven by factors largely outside the control of the Company.

Financial

07 Commodity and Labour Costs and Availability Pressures



Movement in year

Principle Risk

- Global commodity inflation.
- Continuing increases in the National Living Wage.
- The risk associated with Brexit was lower than anticipated but leaves legacy exposures in the seemingly adhoc enforcement of the import and export rules and regulations. The post-Brexit period sees risks in the availability of labour as the Group relies on agency labour for seasonality demand, quite often sourced from Europe.

Mitigation

- Tight control of costs and mitigation where possible through price and product engineering.
- Continued programme of Operating Brilliance and capital expenditure, focused on continuous improvement and cost reduction. All led by the Group Efficiency Improvement Director.
- Leverage economies of scale from the enlarged group, including Group Purchasing strategy.
- Retention of permanent staff and less reliance on agency staff, whilst forging solid working relationships with agencies.
- People strategy focused on staff retention by upskilling of workforce.
- Capital investment has been targeted at automation and operational efficiency.



Commentary

Our Operating Principles of Operating Excellence, Cost Effectiveness and People Who Care are key to our continued efficient operations.