

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 information describes the risks considered material, how they have evolved year on year and the principal mitigating actions.

Priority Rating Post-Mitigation



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 solution (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 take place.
- Use of the latest versions of scanning and monitoring Cyber-security software.
- Preparation of crisis and continuity plans.
- Vendor risk assessment questionnaire completion with key suppliers.



Commentary

Enhanced mitigations offsetting increased risks.

02 Government Legislation

Movement in year

Principle Risk

- The proposed legislation to be introduced in October 2023 around high in saturated fat, salt and sugar (HFSS) 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.



Commentary

A delayed introduction of HFSS and early engagement will be the key to compliance and to ensure our product offering remains appealing.

Operational

03 Health and Safety

 Movement in year**Principle Risk**

- Injury to employees remains an ongoing risk with potentially significant consequences.
- The global pandemic introduces risk in many ways notably risk to the health and wellbeing of our employees.

Mitigation

- Existing Risk Management Steering Committee with oversight of a number of strategic processes and procedures.
- The culture change programme involves multi-disciplinary teams to develop actions to deliver the programme.
- The H&S Committee is continuing to embed a HomeSafe Every Day strategy.
- Leading metrics such as compliance to audit schedules and actions completed will become key indicators of HSE performance.
- 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.

04 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

05 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.
- The Company entered into an Asset Backed Contribution (ABC) arrangement on 18 May 2022 to improve the funding of the Scheme.

**Commentary**

Deficit driven by factors largely outside of the control of the Company. An Asset Backed Contribution scheme was introduced during the year to improve the long-term funding position.

06 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 leaves legacy exposures in the seemingly ad hoc 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, aided by a suite of best-in-class business systems and increased efficiencies, to optimise our business operations is driving significant operational efficiency across the Group.
- Capital investment has been targeted at automation and operational efficiency.
- Leverage economies of scale from the enlarged group, including Group Purchasing strategy.
- Our business forums have continued to mature over the past 12 months and reach across operations, supply chain and commercial. They are allowing delivery of initiatives which allow leverage of Group scale.
- People strategy focused on staff retention by upskilling of workforce and retention of permanent staff and less reliance on agency staff, whilst forging solid working relationships with agencies.

**Commentary**

Our continued investment and focus on the deployment of our OBP is key to our operational efficiency.

07 Recession

NEW

Principle Risk

- Recession can adversely impact revenue of a business as consumers reduce spending.

Mitigation

- We will continue to work collaboratively with our partners to drive growth in our key markets, leveraging our category marketing expertise, implementing consumer-led growth strategies across our categories.
- Strategic partnership and product development is also a key future focus as we increase capacity and capability in two strategically important category areas of buns and rolls and celebration cake.



Commentary

The clarity of our strategy and the resilience of our business model means the Company is well positioned for continued growth.

08 Geo-Political

NEW

Principle Risk

- Prolonged period of uncertainty, owing to economic environment and political disruption, could expose the Group to risks securing supplies of key ingredients and labour.

Mitigation

- We have utilised our strategic supply relationships to manage the impacts of inflationary pressures whilst maintaining a focus on longer-term growth strategic objectives.
- Constant dialogue with our supply partners is necessary in order to deliver commercial arrangements in volatile situations.



Commentary

Our agile management of the evolving macroeconomic situation allows us to continue to deliver against our strategic objectives.