

PRINCIPAL RISKS AND UNCERTAINTIES

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

| RISK AREA | DESCRIPTION OF RISK | MITIGATION | NET RISK | DIRECTION |
|--|--|--|---|-----------|
| STRATEGIC | | | | |
| COMPETITOR ACTIVITY  | The Group operates in highly competitive markets. Product innovation and changing consumer trends provide a constant challenge to the future success of the Group and its ability to compete effectively with its competitors. | The Group maintains and develops strong working relationships with its customers which are underpinned by delivering high levels of 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 being developed. |  | ↔ |
| GROWTH & CHANGE  | The Group continues to pursue growth strategies through securing contracts with new customers, obtaining additional contracts with existing customers and through reviewing acquisition opportunities. The Group also has to navigate both internal and external change, such as changes in regulation which present operational and compliance challenges and issues. | The Board routinely receives updates on the contractual position of all key customers and where required implements necessary actions. Regarding business acquisitions, rigorous due diligence reviews are carried out. Internal and external change is appropriately resourced to ensure operational excellence and compliance, with performance monitored by operational and Senior Management. |  | ↔ |
| COMMERCIAL | | | | |
| CONSUMER DEMAND  | In common with other food manufacturers, a deterioration in the UK economy or a significant change in food consumption patterns could lead to a fall in demand for the Group's products. | 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. Pork and poultry remain extremely competitively priced and sought after products which are manufactured in an environmentally friendly manner. |  | ↔ |
| PIG MEAT – AVAILABILITY & PRICE  | The Group is 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 manufacturing sites and key customers. | The Group has a trusted long standing farming supply base which is complemented by supply from the Group's own farms. These arrangements help to mitigate the risks associated with pig price volatility and the availability of supply. |  The risk in this area over recent months is starting to increase as global demand for pig meat increases together with associated prices which could impact the Group's operations. | ↑ |
| RELIANCE ON KEY CUSTOMERS & EXPORTS  | 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, could adversely impact the Group's operations. | 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. |  | ↔ |
| FINANCIAL | | | | |
| INTEREST RATE, CURRENCY, LIQUIDITY & CREDIT RISK  | In common with other food manufacturers, 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 both current business, future growth and acquisitions. | 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 Group Treasury. All bank debt is arranged centrally and appropriate headroom is always maintained. |  | ↔ |

STRATEGIC PILLAR



High Quality Products



Operating Excellence



Sustainability

RISK LEVEL

 High  Medium  Low

The low, medium and high risk levels are the Group's estimate of the net risk after mitigation.

RISK TREND

↑ Risk increased
↔ Risk unchanged
↓ Risk decreased

| RISK AREA | DESCRIPTION OF RISK | MITIGATION | NET RISK | DIRECTION |
|--|---|---|--|--|
| OPERATIONAL | | | | |
| LABOUR AVAILABILITY AND COST  | Due to political and economic pressures, including those associated with Brexit, there is a risk that the Group's operations could be adversely impacted by either the lack of availability of labour or the associated increased cost. This issue is particularly prevalent with agency labour or specialist skill sets e.g. butchery. | The Group is continually reviewing and improving its recruitment process and relationships with third party agency providers to reflect changing market conditions such as those associated with Brexit. In addition the Group is actively progressing options to employ more permanent members of staff and to consider alternative methods of production which embraces emerging technological developments. |  | ↑ Given the ongoing uncertainties associated with Brexit, the risk in relation to the availability and cost of agency labour has increased. |
| IT SYSTEMS & CYBER SECURITY  | The Group relies heavily on information technology and key systems to support the business. 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 data in systems. 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. | 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 payment requests being processed, together with cyber insurance which provides specialist technical and legal support in the event of a cyber incident. |  | ↔ |
| FOOD SCARES & PRODUCT CONTAMINATION  | In common with other food manufacturers the Group is subject to the risks of product and/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. | 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 by experienced and appropriately trained internal teams. In addition the Group has in place established crisis management procedures to reduce potential crisis impacts and improve communication to key stakeholders. |  | ↔ |
| DISEASE & INFECTION WITHIN LIVESTOCK  | A significant infection or disease outbreak such as African Swine Fever could result in the loss of supply of pig or poultry meat or effect the free movement of livestock which would impact the supply of key raw materials into the Group's sites. | 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 own poultry flock is predominately housed indoors. In addition, robust vaccination and bio-security procedures mitigate the risk of disease and infections. |  The risk in this area has increased due to the overseas spread of African Swine Fever which, if it arrived in the UK, could adversely impact the Group's operations. | ↑ |
| HEALTH & SAFETY  | A significant breach of Health & Safety legislation could lead to reputational damage and regulatory penalties, including restrictions on operations, damages or fines. | The Group has robust Health & Safety processes and procedures in place and conforms to all relevant standards and regulations as well as pursuing industry best practice across its sites. All sites are subject to frequent audits by internal teams, customers and regulatory authorities to ensure standards are being adhered to. |  | ↔ |
| RECRUITMENT & RETENTION OF WORKFORCE  | As the Group continues to pursue its growth strategy, the success of the Group is dependent on attracting and retaining quality, skilled and experienced staff. | Across the Group robust recruitment processes, competitive remuneration packages and ongoing training and development plans are in place. Specifically, for Senior Management, formalised succession planning is also in place. |  Given the current momentum of the business the risk has increased due to the need to ensure recruitment, development and training plans meet current requirements and future needs. | ↑ |
| DISRUPTION TO GROUP OPERATIONS  | 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 poor operational management or the breakdown of key equipment. Such issues could result in the prolonged disruption to site processes. | Effective business continuity plans are in place across the Group and appropriate 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. As the construction of the Eye poultry processing facility continues, business continuity plans are being developed given the importance of the site to the Group's poultry processing capabilities. |  | ↔ |