

Risk Report continued

Principal Risks and Uncertainties

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

<i>Reliance on Key Customer & Exports</i> 		
DESCRIPTION OF RISK	MITIGATION	DEVELOPMENTS IN 2020/21
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 a site's export licence for a period of time, could adversely impact the Group's financial performance.	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.	<ul style="list-style-type: none"> We have proactively engaged with both existing and potential new customers to assess the suitability of new product offerings We have further strengthened our Chinese Shanghai office with the recruitment of additional employees
<i>Labour Availability & Cost</i> 		
DESCRIPTION OF RISK	MITIGATION	DEVELOPMENTS IN 2020/21
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.	The Group is continually reviewing and improving its recruitment processes and relationships with third party agency providers to reflect changing market conditions. In addition, the Group is actively progressing options to employ more permanent members of staff and to consider alternative methods of production, which embrace emerging technological advancements.	<ul style="list-style-type: none"> We have proactively advertised across the Group the EU settlement scheme to ensure continuity of our EU national workforce and the skill set they provide We have proactively promoted our apprenticeship and graduate schemes, and worked closely with universities and colleges to attract new employees
<i>Disease & Infection within Livestock</i> 		
DESCRIPTION OF RISK	MITIGATION	DEVELOPMENTS IN 2020/21
A significant infection or disease outbreak such as African Swine Fever (ASF) or Avian Influenza could result in the loss of supply of pig or poultry meat or affect the free movement of livestock, which may impact supply 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 poultry flock is housed indoors therefore reducing the risk of disease. In addition, robust vaccination and bio-security procedures mitigate the risk of disease and infections within the Group's pig and poultry farms.	<ul style="list-style-type: none"> We have developed a rapid blood diagnostic tool for improved disease surveillance to improve health, welfare, and performance of our pig herds We have worked with the Department for Environment, Food & Rural Affairs on how to potentially further mitigate the risk of ASF coming into the UK
<i>COVID-19 Pandemic</i> 		
DESCRIPTION OF RISK	MITIGATION	DEVELOPMENTS IN 2020/21
The COVID-19 outbreak has led to unprecedented challenges and issues. Whilst COVID-19 vaccines are being rolled out across the UK, there remains the risk of emerging variants disrupting the effectiveness of the vaccine programme which could adversely impact Group operations.	The introduction of site COVID-19 procedures, new ways of working and additional safety measures have helped reduce the potential for a COVID-19 outbreak at a site. (For more information see page 6).	<ul style="list-style-type: none"> We have put in place a number of new site arrangements to include social distancing measures, new cleaning procedures and making available additional personal protective equipment as needed We have updated site business continuity plans to reflect the specific impacts of COVID-19

STRATEGIC PILLAR	RISK TREND		
 High Quality Products  Operating Excellence  Sustainability	 Risk increased  Risk unchanged  Risk decreased NEW		
<i>Consumer Demand</i> 			
DESCRIPTION OF RISK	MITIGATION	DEVELOPMENTS IN 2020/21	
A significant deterioration in the UK economy, or a change in food consumption patterns, or prolonged adverse media attention, for either the business or industry, 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. Pig and poultry meat remain extremely competitively priced and sought-after products.	<ul style="list-style-type: none"> We have worked with our customers in focusing on the role of meat within consumers eating habits We have proactively worked in the grocery retail channel where, as a result of COVID-19, we have seen sales growth 	
<i>Brexit Disruption</i> 			
DESCRIPTION OF RISK	MITIGATION	DEVELOPMENTS IN 2020/21	
Failure to prepare for the UK's departure from the EU and its associated regulatory changes, some of which are currently planned to come in effect from October 2021, could result in disruption to Group operations and impact our ability to supply customers.	The Group has a longstanding Brexit Taskforce in place which ensures Brexit risks and issues are identified effectively and addressed. Working with Ernst & Young LLP and a number of internal stakeholders from various functions, a range of actions for the associated Brexit risks and issues have been developed and implemented where required.	<ul style="list-style-type: none"> We have developed a range of new customs processes and procedures which have been rolled out across the Group We have established a Group Customs Team within the business to provide specialist advice to sites and to deal with the additional administration from Brexit 	
<i>Recruitment & Retention of Senior Management</i> 			
DESCRIPTION OF RISK	MITIGATION	DEVELOPMENTS IN 2020/21	
As the Group continues to pursue its growth strategy, the success of the business is dependent on attracting and retaining quality, skilled and experienced Senior Management roles.	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 Senior Management.	<ul style="list-style-type: none"> We have invested in an industry leading online learning tool that covers a wide range of training and compliance modules We have implemented an electronic annual appraisal process which helps to facilitate a continuous approach to performance management and drives succession planning 	
<i>Competitor Activity</i> 			
DESCRIPTION OF RISK	MITIGATION	DEVELOPMENTS IN 2020/21	
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 within its markets.	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.	<ul style="list-style-type: none"> We have renewed in the last 12 months a number of key customer contracts, providing long term security of supply, and protecting Group revenues We have commissioned the Cranswick Gourmet Kitchen site which has been underpinned with an anchor customer, providing a solid base to deliver future growth opportunities 	

Risk Report continued

Climate Change

DESCRIPTION OF RISK	MITIGATION	DEVELOPMENTS IN 2020/21
The Group operates within the context of having to evaluate the effects that both climate change and sustainability issues, from its operations and regulatory requirements, will have on both its financial performance and operational activities to include: supply chain, farming and manufacturing operations, communities and customers.	The Group has enhanced 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.	<ul style="list-style-type: none"> We have, during the year, signed up to the Climate Pledge which commits to achieve zero carbon emission status by 2040 We have updated our energy data capture systems at all sites with internal verification processes also being put in place to enhance the quality and timeliness of environmental data reporting

Health & Safety

DESCRIPTION OF RISK	MITIGATION	DEVELOPMENTS IN 2020/21
A significant breach of health & safety legislation could lead to reputational damage and regulatory penalties, including restrictions on operations, fines, or personal litigation claims.	The Group has robust health & 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.	<ul style="list-style-type: none"> We have so far achieved ISO45001 (Occupational Health & Safety) certification at 6 of our sites and are on course to have all remaining sites certified by October 2021 We have introduced new ways of working in specific areas to include accidental drive off on loading bays and lone working within confined spaces

Food Scares & Product Contamination

DESCRIPTION OF RISK	MITIGATION	DEVELOPMENTS IN 2020/21
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 an established crisis management procedure in place to reduce potential impacts and improve communication to key stakeholders.	<ul style="list-style-type: none"> We joined the Food Industry Intelligence Network in June 2020 to help enhance the integrity of food supply chains and protect the interests of consumers We have implemented a new internal food management standard to ensure the highest standards of food safety

Interest Rate, Currency, Liquidity & Credit Risk

DESCRIPTION OF RISK	MITIGATION	DEVELOPMENTS IN 2020/21
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.	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.	<ul style="list-style-type: none"> We have in December 2020 extended the period of the additional £40m bank funding, which was agreed in the prior year, providing further headroom to the end of 2021 We have continued to focus on liquidity risk and customer credit risk through the COVID-19 outbreak

STRATEGIC PILLAR

-  High Quality Products
-  Operating Excellence
-  Sustainability

RISK TREND

-  Risk increased
-  Risk unchanged
-  Risk decreased
- NEW**

Disruption to Group Operations

DESCRIPTION OF RISK	MITIGATION	DEVELOPMENTS IN 2020/21
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 or significant campaigns by animal rights activists. Such issues could result in the prolonged disruption to site processes.	Robust site 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.	<ul style="list-style-type: none"> We have in light of the COVID-19 outbreak tested specific site continuity plans and elements of the Group's crisis manual We have continued to undertake preventative maintenance and test key items of plant and machinery to minimise breakdowns

IT Systems & Cyber Security

DESCRIPTION OF RISK	MITIGATION	DEVELOPMENTS IN 2020/21
The Group relies heavily on information technology and key systems to support the operations of the business. The Group is also 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.	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.	<ul style="list-style-type: none"> We have increased user awareness, especially for those employees working at home, with regular communication on best practices around cyber security We have in light of the COVID-19 outbreak enhanced our policies surrounding security, user access, change control and the ability to download and install software across all devices

Growth & Change

DESCRIPTION OF RISK	MITIGATION	DEVELOPMENTS IN 2020/21
The Group continues to pursue growth strategies through securing contracts with new customers, obtaining additional contracts with existing customers and through reviewing acquisition opportunities. In addition, the Group also has to navigate both internal and external change such as regulatory changes, which could present operational and compliance challenges and issues.	The Board receives regular updates on the contractual position of all key customers and where required, implements necessary actions. Regarding business acquisitions, rigorous pre-acquisition due diligence reviews are carried out. Internal and external change requirements are appropriately considered to ensure operational excellence and compliance, with performance being monitored by Senior Management and operational staff.	<ul style="list-style-type: none"> We have despite the economic uncertainty associated with COVID-19, undertaken a significant level of capital investment to drive future growth which includes the commissioning of the Cranswick Gourmet Kitchen site We have continued to take an appropriate approach to Balance Sheet management and change projects

Pig Meat Availability & Price

DESCRIPTION OF RISK	MITIGATION	DEVELOPMENTS IN 2020/21
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 our key customers.	The Group has a trusted long-standing farming supply base which is complemented by supply from the Group's own farms which have been increased by acquisitions in this area over recent years. These arrangements help to mitigate the risks associated with pig price volatility and the availability of supply.	<ul style="list-style-type: none"> We have expanded our pig capacity at Wold Farms and White Rose Farms, and at Wayland Farms have developed a new advanced finishing unit which incorporates a new efficient pig feeding model We have developed our relationship with specific farmers to buy pigs on short term agreements