

OUR APPROACH TO RISK

A process that underpins the sustainable delivery of our strategic objectives.

Our risk management process is designed to support the Group as we set out to deliver long-term sustainable value, whilst protecting the interests of our stakeholders and safeguarding our assets, finances and reputation.

We have an established risk management framework which has proven successful and has allowed us to strike the right balance between risk and opportunity through significant macro-headwinds, and helped support the delivery of our strategic objectives.

The risk management framework is supported by a system of internal controls designed to embed the effective management of the key business risks throughout the Group.

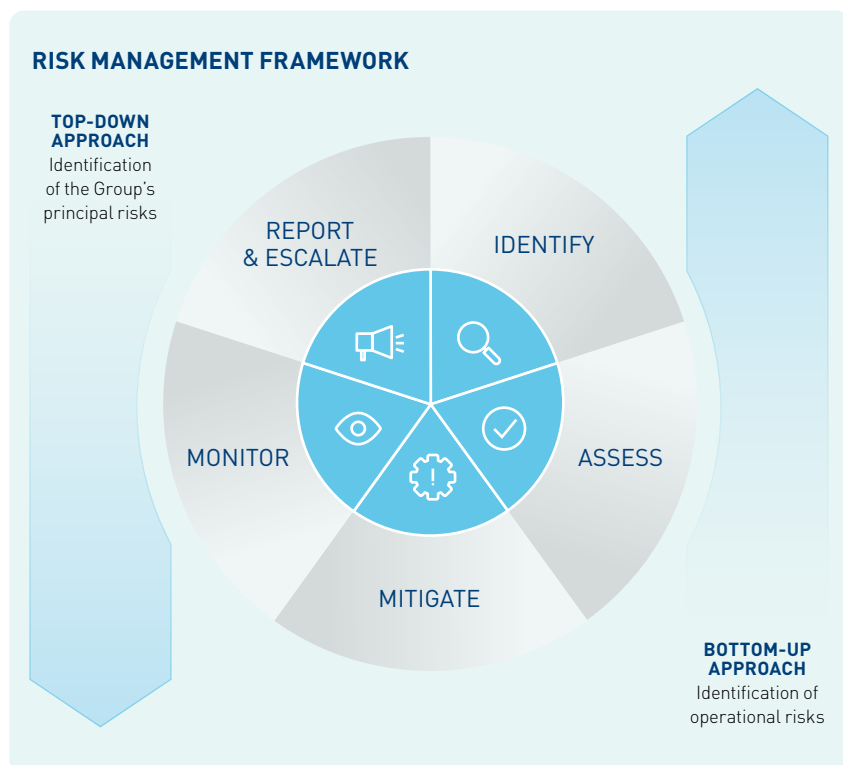
Furthermore, the risk management framework underpins our preparation for the revised UK Corporate Governance Code 2024. This particularly supports: the amendment of Principle O which ensures the Group Board has established and maintains procedures to manage risk and oversee the internal control; and Provision 29 which focuses on monitoring Bakkavor's risk management and internal controls framework. As part of our response, we have strengthened our Internal Risk and Control team in H2 2024. We appointed a Head of Risk and Control – Finance Transformation (supporting the implementation of our new ERP system), as well as a Head of Internal Controls and Risk (focusing on internal controls and risk management across the business), with both individuals reporting to the Group Finance Director who has responsibility for risk.

OUR APPROACH

The Group Board is responsible for effective risk management and has embedded a strong culture of risk awareness across the Group. The Group Board has achieved this by:

- Identifying and monitoring key strategic and emerging risks to deliver its strategic objectives.
- Performing risk management workshops, facilitated by our Internal Auditors, with the Senior Executive Team ("SET") and Group Board to identify and challenge the appropriateness of the Group's principal risks and associated risk appetite.
- Reviewing and approving the ongoing risk management process, including the internal control system, risk management framework, and policies and procedures that outline what can be considered an acceptable level of risk for an appropriate level of return.
- Reviewing our formal Risk Register. This identifies the principal risks faced by the Group, the key risk indicators which determine the likelihood of their occurrence, the potential impact on the Group, and the key mitigating actions used to address them.

Ownership of each principal risk included in our Risk Register is assigned to a SET member. The Risk Register also outlines how we plan to minimise future probable risks through Bakkavor's policies and procedures, Code of Conduct and business ethics. It is updated on a quarterly basis with input from the Senior Management Team ("SMT"), reviewed and discussed at the regional and corporate risk committees ("Risk Committees"), reviewed by the Audit and Risk Committee ("A&RC"), and subsequently the Group Board as part of half- and full-year reporting.



Risk management process and assurance

We have an established risk management framework to identify, assess, mitigate, monitor, report and escalate the risks our business faces.

GROUP BOARD

Ensures the effective identification and management of key strategic and emerging risks.

Chairman, Non-executive Directors

Chief Executive Officer

Chief Financial Officer

AUDIT AND RISK COMMITTEE

- Reports to the Group Board on the effectiveness of the risk management process and internal control system.
- Informed by regular reports from the Risk Committees and Internal and External Auditors.

SET AND OTHER MANAGEMENT

- Maintain the Risk Register with assignment of individual principal risks.
- Manage and monitor their own risks and corresponding action plans in line with risk appetite through timely review.
- Escalate additional risks and evolutions in existing or emerging risks to their respective Risk Committees for review.
- Provide regular reports to the Risk Committees, A&RC and Group Board from key functions such as Technical (including health and safety, food safety), HR, Finance, Legal and IT.

RISK COMMITTEE

Outputs from the individual regional and Corporate Risk Committees are summarised and presented to the A&RC on a quarterly basis.

Corporate Risk Committee

UK Risk Committee

US Risk Committee

China Risk Committee

- Perform a quarterly review of the principal risks, emerging risks and actions plans outlined in the Risk Register.
- Provide a summary of the changes to the SET.
- Each chaired by the Group Finance Director with SET representation.

RISK ASSURANCE

Risk assurance is delivered using the 'four lines of defence', which comprises:

Audit and Risk Committee/Senior Executives/other management

1ST LINE

Management controls

- Governing day-to-day activities
- Bi-annual self-assessments
- Policies and procedures

2ND LINE

Central Functional teams

- Board Committee and Sub-Committee structure
- Monitor and report against KPIs

3RD LINE

Internal Audit and other assurance providers

- Internal Audits
- Independent audits
- Customer audits
- Insurance audits

4TH LINE

Regulatory audits

- External Audit
- Other regulatory including BRC and food safety



READ MORE [pg 110.](#)

The A&RC reviews and reports to the Group Board on the effectiveness of the Group's risk management process and internal control system. This is delivered through a regular review of:

- Reports received from the SET and Risk Committees.
- The output of internal audit work performed by our external adviser, KPMG.
- The output of external audit work performed by our External Independent Auditors, PricewaterhouseCoopers LLP ("PwC").
- Advice from other experts and advisers.

These reports provide detail on current and emerging risks related to business activity, as well as looking at how effectively the internal controls deal with these risks, and an update on how approved mitigating actions are being implemented.

RISK APPETITE

The Group Board annually reviews and sets our risk appetite for each of the principal risks. This helps us to provide clear boundaries on the acceptable level of risk, and influences our decision-making to support the delivery of our strategic objectives.

Our approach is to minimise exposure to reputational, financial and operational risk, whilst accepting a risk/reward trade-off in supporting the delivery of our strategic growth and change objectives. As a producer of fresh food, food safety and integrity are of paramount importance. We therefore have a low appetite for risks which may impact this area, and take all practical precautions to mitigate them. A low-risk appetite is also applied to health and safety and we take all practical precautions in compliance with laws and regulations to ensure the health and safety of our colleagues.

EMERGING RISKS

We recognise the importance of future-proofing our business, and therefore we not only assess risks that are affecting us today, but also what has the potential to adversely impact us in the future. As part of our top-down and bottom-up risk assessment process, we seek to capture and monitor emerging risks. Their potential effects on the delivery of our strategy are considered at our regular risk reviews, using horizon scanning inputs from both internal and external sources. Emerging risks are highlighted during each Risk Committee meeting and discussed with the A&RC on a quarterly basis.

Emerging risks of particular note:

- In 2024, the Group Board approved a project to replace our UK ERP system and, since then, work has primarily focused on the design of the new system. This project increases our inherent 'Strategic growth and change programmes' and 'IT systems and cyber' risks. The risk level is likely to increase as we move into the build and deployment phases of the project. However, we have established strong programme management, governance and assigned adequate resource, subject to independent programme assurance.
- In recent years, macro-headwinds have impacted our business, such as elevated energy costs and rising geo-political tensions (Russia/Ukraine, Middle East, China/Taiwan). These events also have the potential to impact overall inflation, availability of ingredients, consumer demand and financing costs.
- The change in UK Government and changes in legislation could have an impact on several of our principal risks by potentially increasing our cost base and making labour relations more challenging. The US election results could also lead to changes to legislation that may impact our US and China business.

- Climate change continues to cause risk to the supply chain both in terms of availability and quality of raw materials. This could result in pressure on existing suppliers and could require us to engage with new suppliers and/or new countries of origin. There are also increasing and evolving legal and reporting requirements in relation to sustainability, which may impact how we operate and the disclosure requirements.

These emerging risks are kept under review during Risk Committee meetings and mitigating actions are discussed and documented. This ensures that we can react ahead of any risk materialising, therefore minimising our risk exposure.

INTERNAL CONTROL SYSTEM

Our internal control system provides a structure and an ongoing process for risk management. This helps assure our Senior Executives and Senior Management that processes have been implemented effectively to manage operational risk. The system is designed to manage rather than eliminate all risks in line with the risk appetite set out by the Group Board, therefore it can only provide reasonable, and not absolute, assurance. This is combined with a central governance framework which supports the business through Group-wide policies, procedures and training. Our SMT is responsible for implementing procedures and monitoring controls.

Work is currently ongoing as we look to enhance our internal controls system in readiness for the effective date of Provision 29 of the revised UK Corporate Governance Code. The focus for 2024 has been on enhancing our assurance mapping across our principal risks to identify material controls, carrying out a Fraud Risk Management Assessment to develop an action plan to comply with the expected new legislation in this area, and ensuring that the design of the new UK ERP system is underpinned by a strong control environment.

OUR PRINCIPAL RISKS

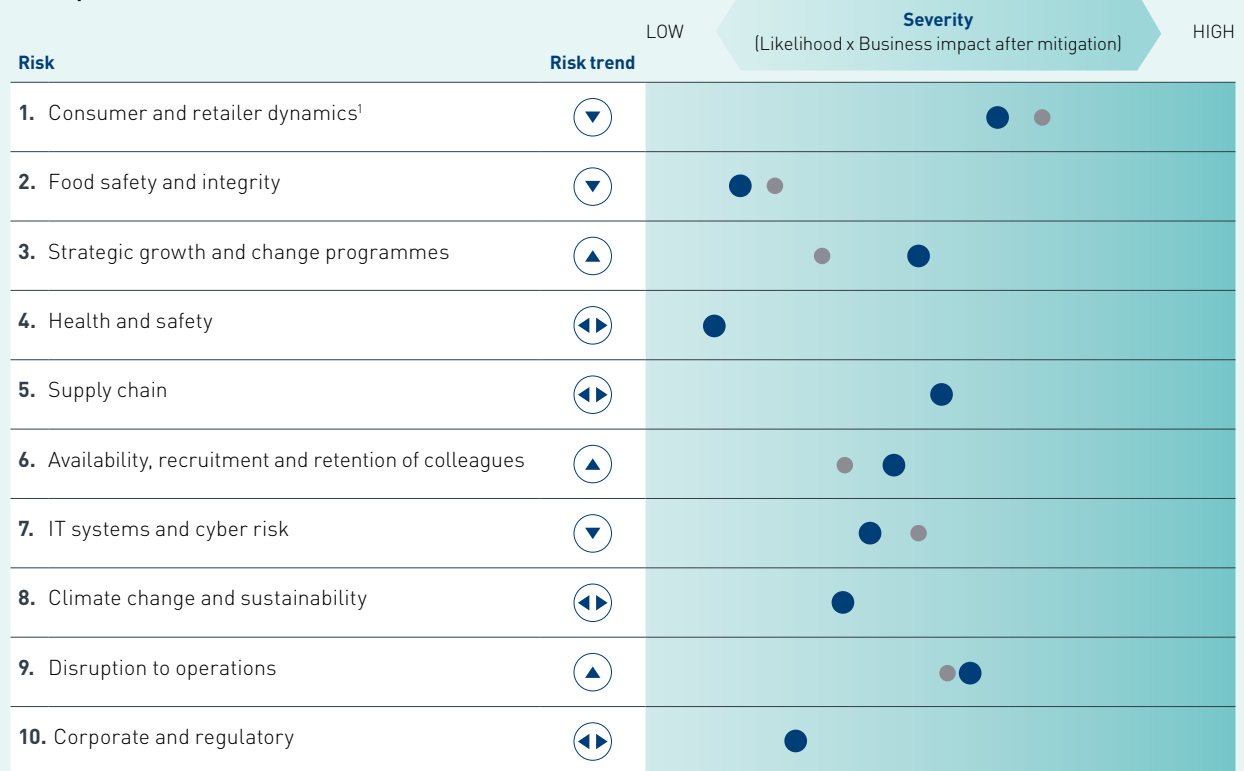
The Group Board and A&RC have reviewed the business's risk environment and considered that no changes were required to our principal risks. They therefore remain in line with the prior year.

Our principal risks, their corresponding risk score and movement throughout the year are reflected within the risk assessment scale below:

RISK ASSESSMENT MAP

- The risk heat map shows the position of each principal risk as at December 2024 compared to the position in December 2023.
- The commentary on the following pages gives updates on each of our principal risks.

Principal risk trends 2024



Key

Risk trend

▲ Increased ▼ Decreased ◄► Unchanged

Risk severity

● 2024 ● 2023

¹ Risk previously titled 'Consumer demand and retailer landscape'.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk trend



1. CONSUMER AND RETAILER DYNAMICS

The loss of business as a result of competitor activity, significant changes in commercial terms, and/or reputational damage could result in a loss of market share, leading to a significant impact on the Group's results. This may be driven by a significant change to the economy and changes in consumer attitudes such as changes in household budgets, sustainability and health.

CONTROLS

- Work closely with customers to adapt to changing consumer trends such as dietary changes, sustainability concerns and the impact of changes in household budgets.
- Leverage insight from market data analysis, consumer surveys/feedback, industry reports and operational performance to inform new and existing product development to meet consumers' needs.
- Draw on a well-established global supply chain to source a wide range of ingredients to help drive innovation.
- Maintain well-established, multi-level relationships with key customers to deliver high levels of service.

RISK TREND



Due to an improvement in consumer sentiment, UK volumes returning to growth and our continued success in mitigating cost inflation through multiple levers.

LINK TO OUR STRATEGY



2. FOOD SAFETY AND INTEGRITY

Whilst we must ensure food is safe and clearly/correctly labelled, there are still risks of product contamination. This could affect consumer confidence and customer trust, potentially leading to product withdrawal or recall, financial and/or reputational impact, and loss of/reduction in business.

CONTROLS

- Maintain industry-leading standards of food safety. Includes traceability procedures and processes, overseen by our experienced Central Technical function, and a clear approach to Responsible Sourcing under our Trusted Partner ESG strategy.
- Use Hazard Analysis Control Point principles at all sites to identify and control food safety risks, with colleagues trained in these procedures.
- Monitor and report to the Group Board performance against established food safety metrics, managed via a team of technical/food safety experts at each site.
- Conduct regular audits against recognised global food safety standards by our internal Central Technical team, and independent bodies on an announced and unannounced basis.
- Perform regular industry-leading allergen testing to monitor our controls and raw materials.
- Continue to monitor emerging issues, in conjunction with other industry players, to ensure increasing compliance requirements are met.
- Maintain and review Food Safety and Integrity policies to ensure alignment with expectations of legislation, regulatory bodies and retail customer requirements.

RISK TREND



Due to a combination of strong audit results across customer, BRC and internal compliance for each region. In addition, the FDA removed their warning letter in respect of one of our US sites following the corrective actions we had taken.

LINK TO OUR STRATEGY



Link to our strategy



UK



INTERNATIONAL



EXCELLENCE



TRUST

3. STRATEGIC GROWTH AND CHANGE PROGRAMMES

Capital investments, corporate transactions and organisation change programmes based on forecasted financial returns are, by their nature, uncertain. Climate change (in terms of physical and transitional risks) also has the ability to impact future returns.

CONTROLS

- Leverage the Group's capital allocation policy to balance spend across capital expenditure, acquisitions and disposals, debt reduction and dividends.
- Maintain robust and standardised processes for evaluation and approval of capital expenditure.
- Implement governance processes for key projects to ensure individual project risks are documented and action plans are implemented to mitigate risks.
- Track and report regularly to the Group Board on performance of significant projects against forecast metrics.
- Due diligence on potential M&A activity to identify key risks, with mitigations taken to reduce exposures to an acceptable level.
- UK ERP implementation project is governed by a cross-functional programme board with regular reporting and independent third-party programme assurance to the A&RC.

RISK TREND



Due to the Group Board approving a project to replace our UK ERP system, this is likely to lead to significant change across the UK business in future years.

LINK TO OUR STRATEGY



4. HEALTH AND SAFETY

We have a duty to secure and protect the health and safety of our colleagues, contractors and visitors. Failure to maintain appropriate health and safety across the Group could result in a significant reputational, regulatory and/or financial impact on our business.

CONTROLS

- Maintain strong health and safety policies, processes and controls across all sites, supported by an established culture of engagement around accident prevention.
- Health and safety managed locally by colleagues at a site level on a digital platform to monitor performance, supported by in-house health and safety experts.
- Review and share standards and best practice, and support implementation of new processes and controls.
- Undertake risk control and risk reduction activities across health and safety projects including: ammonia risk assessment; boiler reviews; factory transport vehicles; fire suppression; and machinery.
- Report metrics to the Group Board, with any significant issues reported immediately.

RISK TREND



LINK TO OUR STRATEGY



Risk trend



5. SUPPLY CHAIN

An impact to the business due to disruption affecting continuity of supply of goods or services and/or an adverse material movement in cost versus forecast.

CONTROLS

- Maintain a sophisticated, agile supply chain and robust supplier selection with monitoring and management processes.
- Leverage scale, experienced central and regional procurement teams and strong customer partnerships to enhance buying power, with spend governed by a clear delegation of authority and process for approving contracts and/or annual source plans.
- Balance price, quality, availability and service levels to meet demand and supply forecast.
- Seek protection on forward-purchasing and price variations through agreements with customers, including cost pass-through mechanisms.
- Monthly Energy Hedging Committee held to ensure utility pricing for future periods is compliant with the Group Energy Hedging Policy to reduce the risk of volatility in the cost base.
- Utilise internal levers to mitigate the impact of input cost price increases, drive productivity improvements, and focus on value optimisation across product portfolios.
- Increase end-to-end control of our supply chains through our Bakkavor Inbound Logistics ("BIL") team.
- Ensure integrity of supply chain and the quality of raw materials through our Responsible Sourcing approach.

RISK TREND



LINK TO OUR STRATEGY



6. AVAILABILITY, RECRUITMENT AND RETENTION OF COLLEAGUES

Labour availability and cost could be affected by political, economic, legislative and regulatory developments. Increasing competition from competitors and/or local employers could reduce the availability of labour and increase cost pressure.

CONTROLS

- Manage recruitment through our Central Talent team, supported by regional heads of HR, to drive campaigns and initiatives tailored to the local market and the offer of competitive remuneration and benefits packages.
- Invest in training and development to upskill colleagues and support career progression.
- Enhance and upgrade site facilities to make Bakkavor a better place to work.
- Conduct an annual Employee Engagement Survey ("EES") to gather feedback from colleagues, which informs our People Plan.
- Seek to fill vacancies through direct recruitment with improved timescales following the introduction of new software within the year and utilise agency labour to provide short-term solutions.
- Ongoing engagement with employee representatives, including unions, to build relationships and understanding of key issues.
- Designated workforce engagement Non-executive Director engages with colleagues and provides feedback to the Group Board.

RISK TREND



Due to the current macro-UK employee relations landscape, industrial action may impact the availability of employees, along with increased cost pressure.

LINK TO OUR STRATEGY



Link to our strategy



UK



INTERNATIONAL



EXCELLENCE



TRUST

7. IT SYSTEMS AND CYBER RISK

Group infrastructure becomes out-dated, inefficient and/or vulnerable to third-party cyber-attacks or malfunction. Unauthorised access or unplanned outages to the Group's IT systems could lead to data breaches and the release of market-sensitive information as well as business disruption with potential reputational, financial and operational impact.

CONTROLS

- Actively identify risks and threats, design and implement layers of control that allow for an appropriate balance between preventive and detective controls, including business continuity planning and testing.
- Evaluate independently against leading industry standards published by the US Department of Commerce (National Institute of Standards and Technology Cyber Security Framework), and partner with external expert advisers to actively reduce risks posed.
- Mitigate information security risks through a Group-wide security programme with reporting to the A&RC.
- Invest further in IT system modernisation, including external advice on the use of Artificial Intelligence in our sector.

RISK TREND



Due to the completion of our Cyber Security Programme rollout in the USA, whilst also driving major success in operational and people projects focused on improving IT service availability, partner performance, continuity and user experience.

LINK TO OUR STRATEGY



8. CLIMATE CHANGE AND SUSTAINABILITY

A scenario-driven climate risk assessment of our business has identified four transition risks: costs of implementing low-emissions technology; increased cost of raw materials; changing consumer preferences; and pricing of GHG emissions. We have also identified two physical risks: operations and supply chain. There is also a potential reputational impact of failing to meet our ESG commitments.

CONTROLS

- Mitigating risks against the identified climate risks is detailed in the TCFD section.
- Addressing our wider material ESG activities through Trusted Partner, our ESG strategy.
- Regularly monitor and report on non-financial KPIs to senior management and Group Board, including net carbon emissions, UK food waste, voluntary employee turnover, packaging use and health and safety.
- Seek to integrate ESG factors into investment decisions and wider financial forecasts.



READ MORE:

ESG: Trusted Partner [pg 38](#).

ESG: TCFD [pg 46](#).

RISK TREND



LINK TO OUR STRATEGY



Risk trend



Link to our strategy



9. DISRUPTION TO GROUP OPERATIONS

Damage to our sites by fire, flood, mechanical breakdown and natural disaster, or disruption from industrial action, could present a serious risk to our business operations and performance. Significant capital investment projects could also impact our ability to maintain production at required levels, negatively impacting our financial performance.

CONTROLS

- Apply building and property management protocols in conjunction with our property insurers, with regular progress reporting on recommended site improvements.
- Implement continuity and disaster recovery plans at each site to identify and assess key risks, key controls, improvement actions and preparedness for an event. Audit plans bi-annually with insurance brokers. Ensure that plans are communicated to relevant business teams.
- Report regularly and proactively on progress of any identified site improvements or issues to encourage timely resolution.
- Support employee engagement in our factories through site representatives, employee forums and trade union engagement.
- Implement governance processes for key capital investments to ensure project risks are documented and action plans are implemented to reduce and mitigate risks.
- Maintain adequate levels of insurance in line with legal requirements and agreed risk appetite.

RISK TREND



Due to the potential financial and operational impact of industrial action.

LINK TO OUR STRATEGY



10. CORPORATE AND REGULATORY

Failure to comply with local laws, regulations, codes of practice, or breach of internal policies and standards could impact our reputation and result in financial penalties and/or operational disruption. External financial risks include interest rate risk on borrowings, availability of liquidity, compliance with our financial covenants, changes in exchange rates and the funding of the defined benefit pension scheme.

CONTROLS

- Regularly review the Group's investment strategy and its potential impact on liquidity and leverage.
- Overarching framework of approved policies and procedures for internal controls and financial risk management; including funding, liquidity, currency, interest rate and counterparty credit overseen by our Treasury function.
- Key external reporting including full-year results, RNS and the going concern and viability statements are subject to independent external audit and internal approval prior to publication.
- Monitor financial results and projections through weekly, monthly and quarterly reporting and forecasting.
- Meet quarterly with the Group Hedging Committee to review and ensure compliance with the hedging policy for foreign currency.
- Regularly review defined benefit pension scheme's investment and liability hedging strategy.
- Review and update key Group policies on standards and procedures including legal, financial, tax, HR, food safety, health and safety and environmental on an annual basis, and engage with Internal Auditors to provide assurance on principal and financial risks.

RISK TREND



LINK TO OUR STRATEGY

