

Group Risk Statement

Principal Risks and Uncertainties

The Board of Directors and Senior Management continue to invest significant time and resources in identifying specific risks across the Group, and in developing a culture of balanced risk mitigation. The Group has a formal risk assessment process in place through which risks are identified that could prevent the Group from achieving its strategic objectives and associated mitigating controls are evaluated. The Board of Directors is ultimately responsible for risk management with the Audit Committee taking ownership for monitoring the risk assessment process.

All levels of management across the Group are engaged in the identification and assessment of significant ongoing and emerging risks facing their business. The outputs of these risk assessment processes are subject to various levels of review by Group Risk and Executive Management, who layer in strategic risks. Risks are consolidated into a Group Risk Map, denoting the potential frequency and severity of identified risks, which is reviewed and challenged by the Board of Directors on at least an annual basis.

In May the Group concluded the swift disposal of its North America business and assets, progressing as per the core strategic plan. The cornerstones of the strategy are the setting up of a multi-local business model with empowerment over decision making and costs, a de-layered simplified structure across the entire Group and the elimination of unnecessary costs.

It is now well over a year since the World Health Organisation declared COVID-19 as a pandemic and it continues to bring uncertainty, as economies recover and re-open after COVID-19 restrictions. The Group has considered its newly simplified organisational structure, the response to COVID-19 and the potential impact of future waves in the assessment of our principal risks and uncertainties. Risks identified, and associated mitigating controls, are also subject to audit as part of various operational, financial, food safety / quality and health and safety audit programmes.

COVID-19 ongoing challenges

The Group's risk planning / mitigation and crisis response have been tested in the past year with the Group responding rapidly to the challenges presented by the pandemic. ARYZTA activated its full business continuity plans to maintain service levels and to meet our customers' expectations. Our primary focus areas were protecting our people and supporting our customers, whilst providing the highest quality and product safety standards across all bakeries, in full compliance with reinforced COVID-19 protocols.

We continue to monitor the COVID-19 situation closely as economies re-open through the gradual easing of COVID-19 restrictions. Responding to the effects of COVID-19 has become part of ARYZTA's daily operations. Uncertainty remains regarding COVID-19 variants, the scale and pace of the vaccine roll-out and the potential impact of future waves on our people, operations and customers.

Inflation

Inflation is real and widespread as economies recover and re-open, which is driving increased demand through a supply chain severely disrupted by COVID-19. ARYZTA has a well-structured and professionally managed procurement process whose aim is to protect margins and ensure pricing recovery of input cost inflation. The combination of experience in the management of previous raw material inflation spikes and the Group's professional procurement de-risking strategy, together with recovery of raw material cost price inflation through pricing, should support the Group's efforts to manage the current severe spike in inflation across raw materials, labour and service providers. ARYZTA continues to

Group Risk Statement

Principal Risks and Uncertainties (continued)

proactively manage supply chain risk through targeting dual supply for all key materials & services and maintaining continued interaction with key suppliers and adequate safety stock levels. These measures have retained continuity of supply throughout the crisis to ensure customer service levels remain at the highest standards.

The key risks facing the Group include the following:¹

- Commercial risks arising from loss of major customer or contract and/or non-recovery of raw material cost inflation through pricing, adversely impacting profitability.
- Ongoing COVID-19 related challenges, including changing shape of the market and consumer habits.
- Operational risks facing the Group include food safety & quality and health & safety.
- Risks to ongoing operations arising from a significant failure in critical systems or infrastructure, or security system failure, including a cyber-attack, impacting the ability of the Group to service customers' demands.
- People risks arising from loss of key management personnel and/or scarcity of bakery skills impacting operational performance.
- The loss of a significant manufacturing / operational site through natural catastrophe or act of vandalism.

¹ These risks are not listed in order of importance.