

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 Internal Audit 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.

The Group has considered geo-political and macro-economic events, including inflationary and supply chain impacts, and the potential impact of future COVID-19 variants / 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.

Inflation and Supply Chain

Inflation across all input costs; labour, raw materials, logistics and particularly energy, continue their upward trend, with prices and availability of these key inputs remaining very volatile. ARYZTA's existing contracts are largely covered and new tenders are being priced at spot prices. ARYZTA has a well-established, professional procurement team overseeing all of its key inputs. The governance around tender and pricing processes has been reviewed and adapted, taking into consideration the change in market volatility and the increased risk profile of our supply chain. This has resulted in the implementation of additional price increases and temporary surcharge applications. 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 all input costs. ARYZTA continues to proactively manage supply chain risk through targeting dual supply for all key materials & services and, continued interaction with key suppliers and maintaining adequate safety stock levels.

COVID-19 ongoing challenges

Execution of ARYZTA's business continuity and crisis response plans enabled the Group to respond rapidly to the challenges presented by the pandemic. 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.

Strong organic growth, as restrictions eased across many markets, has been supported by proactive planning and efficient & effective execution. We continue to monitor the COVID-19 situation closely and responding to the effects of COVID-19 has become part of ARYZTA's daily operations. Uncertainty remains regarding COVID-19 variants and the potential impact of future waves on our people, operations and customers.

Group Risk Statement

Principal Risks and Uncertainties (continued)

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.
- Supply chain disruption risks due to ongoing geo-political and macro-economic events impacting availability of key inputs, including labour, raw materials, logistics and energy.
- 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.
- 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.
- Environmental, social and governance (ESG) risks, arising from the nature of the Group's activities, which are subject to changing societal expectations and an evolving regulatory framework.
- 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.