



RISK & MATERIALITY

Risk management

The Group is committed to the ongoing roll out of its Enterprise Risk Management (ERM) Framework. This includes continuing to embed the ERM Framework into the wider business and enhancing risk management processes with agile thinking. This assists in attaining effective risk management across the organisation and allows for the exploration of opportunities as they present.

The Board sets the Group's risk appetite, which provides informed decision making in the risk management framework and delivers parameters within which the business manages risk.

Our risk management framework embraces agile practices which allows the Group to identify and manage risk and provides it with a mechanism to adapt and respond to an ever changing environment. The Group has assumed a blended approach to risk management which considers both traditional risk management and agile structures. This blended approach allows the Group to be nimble in risk management and aligns with the Group's agile approach.

The Group's ERM Framework is aligned with best practice and includes:

- A consistent approach to identifying and managing risk;
- Supporting the achievement of the Group's strategic, financial and operational goals by managing risks;
- Encouraging an open and transparent culture where risk discussion and awareness is supported;
- Enabling better decision-making practices through the adoption of agile thinking to help support risk informed choices, prioritises actions and distinguishes between alternative courses of action; and
- Encouraging an understanding of the risk environment within which the Group operates.

The Group acknowledges that risk management is important to all aspects of its activities and is the responsibility of every team member. Our leaders have a particular responsibility to appraise their risk environment, to put in place appropriate controls and to monitor the effectiveness of those controls.

The Group, as part of its ongoing risk governance programme, operates an Enterprise Risk Management Committee, which comprises senior leaders from across

the Group. The Committee meets every two months to ensure there is a balanced view of risk and that critical risks are understood, reviewed, appropriately managed and reported.

The Audit and Risk Committee receives reports from internal audit and other professional service providers.

The Group has identified its key risks which, if realised, would materially impact the success of the business. These risks include enterprise and system failure, global logistics and trading disruption, sourcing and retaining skilled talent, increased global competition, environmental risk, and failure to automate and increase productivity.

Materiality

Materiality in the six capitals is different from financial materiality in the financial statements. It is driven by the risk appetite settings, and the specific outcomes and strategies within each capital. A material improvement in our environmental reduction outcomes, for example, may be different this year compared to other years depending on the starting position.

Building on an improvement may mean we have a higher materiality for change than if we were attempting to arrest a declining performance. Materiality is therefore relative to every strategy and metric in each capital and is used to filter what is reported and what is not. The Integrated Report is not the definitive or last word that the organisation has to say on a given topic, it is the material performance report against those elements in the capitals that we are trying to influence or improve.

This year we have taken a further step in our overall reporting and in particular in our Environmental, Social and Governance (ESG) targets and initiatives by adopting the Global Reporting Initiatives (GRI) reporting framework and materiality principles. This will enable us to identify and prioritise areas that substantively influence the assessments and decisions of stakeholders or have a significant ESG positive or negative economic, environmental and/or social impact towards achieving our goals of sustainable development. This report has been prepared in accordance with the GRI Standards: Core option.