Principal Risks and Uncertainties

The principal risks and uncertainties which have the potential to have a material impact upon the Group's long-term performance and achievement of strategy are set out below.

These represent the Board's view of the principal risks at this point in time. There may be other matters that are not currently known to the Board or are currently considered of low likelihood which could arise and give rise to material consequences.

Risks and Uncertainties	Mitigation
Risks And Uncertainties Relating To Strategic Goals	
The Group's strategy is to focus upon earnings growth through organic growth, acquisitions and joint ventures and entry into new markets. The Group is prepared to take measured risks to acquire new assets, talent, brands and innovation. These opportunities may not materialise or deliver the benefits or synergies expected and may present new management risks and social and compliance risks.	The Group seeks to mitigate these risks through proactively monitoring the market to identify suitable acquisition targets, due diligence, careful investment and continuing monitoring and management post-acquisition. Only acquisitions that the Board believe will add value and are a strategic fit are considered.
As the Group grows through acquisition, it is necessary to adjust to change and assimilate new business cultures. The breadth and pace of change can present strategic and operational challenges. Business integration and change that are not managed effectively could result in unrealised synergies, poor project delivery, increased staff turnover, erosion of value and failure to deliver growth.	Significant acquisitions have formal leadership and project management teams to deliver integration. Regular Group communications ensure effective information, engagement and feedback flow to support cultural change. The executive management team oversees change management and integration risks through regular people, planning and products meetings.
Risks And Uncertainties Relating To Revenue And Profits	
Consumers may shift away from larger brands towards more localised, premium and niche products.	Through diversification, innovation and strategic partnerships, we are developing our product portfolio to enhance our offering of niche and premium products to satisfy changing consumer requirements.
Seasonal fluctuations in demand, especially an unseasonably bad summer in Ireland could materially affect demand for the Group's cider products.	The Group seeks to mitigate this risk through geographical and brand diversification.
Consumer preference may change in our core geographies, new competing brands may be launched and competitors may increase their marketing or change their pricing policies.	The Group has a programme of brand investment, innovation and product diversification to maintain and enhance the relevance of its products in the market. For instance, as part of this programme, Tennent's launched the Caledonia range and the Group also acquired Orchard Pig, a craft cider brand, in FY2018. The Group also operates a brand-led model in our core geographies with a comprehensive range to meet consumer needs.

Risks and Uncertainties	Mitigation
The off-trade and increasingly the on-trade in Great Britain continues to be highly competitive, driven by consumer pressure, customer buying power, consolidation and vertical integration of distribution channels and the launch of heavily-invested competing products.	The Group seeks to mitigate the impact on volumes and margins through developing a focused portfolio approach, innovation, strategic partnerships and acquisitions, such as the distribution arrangement that the Group has entered into with AB InBev, the strategic investment in Admiral Taverns, the acquisitions of the drinks distribution businesses, Matthew Clark and Bibendum, and the craft cider Orchard Pig, the introduction of brand propositions that are in tune with shifting consumer and customer needs and through seeking cost efficiencies.
Customers, particularly in the on-trade where the Group has exposure through advances to customers, may experience financial difficulties.	The Group monitors the level of its exposure carefully.
The Group is reliant on the performance of its distribution partners for the distribution of its products in international markets and the UK.	The Group mitigates these risks by continuously monitoring the performance of its distribution partners and having agreements with appropriate protections in place in relation to inadequate performance.
Key strategic partnerships may not be renewed or may be renewed on less favourable terms.	The Group seeks to mitigate this risk by managing its relationship with its key strategic partners and by putting long-term arrangements in place in relation to termination and renewal.
Risks and Uncertainties Relating to Costs, Systems and Operations	
Input costs may be subject to volatility and inflation and the continuity of supply of raw materials may be affected by the weather and other factors.	The Group seeks to mitigate some of these risks through long-term or fixed price supply agreements. The Group does not seek to hedge its exposure to commodity prices by entering into derivative financial instruments.
Circumstances such as the loss of a production or storage facility or disruptions to its supply chains or critical IT systems may interrupt the supply of the Group's products.	The Group seeks to mitigate the operational impact of such an event through business continuity plans, which are tested regularly to ensure that interruptions to the business are prevented or minimised and that data is protected from unauthorised access, contingency planning, including involving the utilisation of third party sites and the adoption of fire safety standards and disaster recovery protocols. The Group seeks to mitigate the financial impact of such an event through business interruption and other insurances.
Increased levels of cybercrime represent a threat to the Group's businesses and may lead to business disruption or loss of data. The Group is exposed to the risk of external parties gaining access to Group systems to deliberately disrupt business, steal information or commit fraud. Theft of data relating to employees, business partners or customers may result in a regulatory breach and impact the reputation of the Group.	The Group has a number of IT security controls in place including gateway firewalls, intrusion prevention systems, security incident monitoring and virus scanning. The Group's approach is one of ongoing enhancement of controls as threats evolve with the target being to align controls, and in particular to implement any new services or changes to the environment, with reference to the ISO 27001 international standard. The Group also has a suite of information security policies in place.

Principal Risks and Uncertainties
(continued)

Risks and Uncertainties	Mitigation
Financial Risks and Uncertainties	
The Group's reporting currency is the Euro but it transacts in foreign currencies and consolidates the results of non-Euro reporting foreign operations. Fluctuations in value between the Euro and these currencies including, in the case of Sterling, resulting from the UK vote to leave the European Union, may affect the Group's revenues, costs and operating profits.	The Group seeks to mitigate currency risks, where appropriate, through hedging and structured financial contracts to hedge a portion of its foreign currency transaction exposure. It has not entered into structured financial contracts to hedge its translation exposure on its foreign acquisitions.
The solvency of the Group's defined benefit pension schemes may be affected by a fall in the value of their investments, market and interest rate volatility and other economic and demographic factors. Each of these factors may require the Group to increase its contribution levels.	The Group seeks to mitigate this risk by continuous monitoring, taking professional advice on the optimisation of asset returns within agreed acceptable risk tolerances and implementing liability-management initiatives such as an enhanced transfer value exercise which the Group conducted in FY2016 and FY2017 in relation to its Irish defined benefit pension schemes.
Fiscal, Regulatory and Political Risks and Uncertainties	
The Group may be adversely affected by changes in excise duty or taxation on cider and beer in Ireland, the UK, the US and other territories.	The Group seeks to mitigate this risk by playing an active role in industry bodies and engaging with governmental tax and regulatory authorities. In Ireland, we engage with the Government in relation to excise duty reductions in support of domestic producers. In the UK, the Group is a board member of the National Association of Cider Makers and a steering committee member of the all-party Parliamentary beer group. In the US, we are active in the United States Association of Cider Makers.
The Group may be adversely affected by changes in government regulations affecting alcohol pricing, sponsorship or advertising, and product types.	Within the context of supporting responsible drinking initiatives, the Group supports the work of its trade associations to present the industry's case to government.
The UK vote to leave the European Union has created significant uncertainty about the near term outlook and prospects for the UK, Ireland and European Union economies. While the economic effect of the UK leaving the European Union is uncertain, it could have the effect of negatively impacting the UK, Irish and European Union economies and currencies and the financial performance of the Group, reducing demand in the Group's markets and increasing business and regulatory costs including through the application of additional tariffs and transaction taxes on the Group's products and raw materials. While recent developments in relation to the transition period have brought greater clarity for that period and there have potentially been positive developments in relation to a free trade agreement after that period, were WTO tariffs to be applied to our exports from Ireland to the UK or were there to be a hard border in relation to the movement of people and goods within the Island of Ireland, it would negatively impact the Group. With our reporting currency as the Euro, the Group is exposed to the translation impact of a weaker Sterling.	The Board and management will continue to consider the impact on the Group's businesses, monitor developments and play a role in influencing the UK, Irish and Scottish Governments to help ensure a manageable outcome for our businesses. We are working closely with the Food and Drink Federation in Ireland and the European Cider Association in relation to the implications of the UK vote for our businesses. Our manufacturing capability in Scotland may also provide opportunities for the Group arising from Brexit. On an ongoing basis, we seek, where appropriate, to mitigate currency risk through hedging and structured financial contracts and take appropriate action to help mitigate the consequences of any decline in demand in its markets.

Risks and Uncertainties	Mitigation
Liability-Related Risks and Uncertainties	
The Group's operations are subject to extensive regulation, including stringent environmental, health and safety and food safety laws and regulations and competition law. Legislative non-compliance or adverse ethical practices could lead to prosecutions and damage to the reputation of the Group and its brands.	The Group has in place a permanent legal and compliance monitoring and training function and an extensive programme of corporate responsibility.
The Group is vulnerable to contamination of its products or base raw materials, whether accidental, natural or malicious. Contamination could result in a recall of the Group's products, damage to brand image and civil or criminal liability.	The Group has established protocols and procedures for incident management and product recall and mitigates the financial impact by appropriate insurance cover.
Fraud, corruption and theft against the Group whether by employees, business partners or third parties are risks, particularly as the Group develops internationally.	The Group maintains appropriate internal controls and procedures to guard against economic crime and imposes appropriate monitoring and controls on subsidiary management.
Employment-Related Risks and Uncertainties	
The Group's continued success is dependent on the skills and experience of its executive Directors and other high-performing personnel, including those in newly acquired businesses, and could be affected by their loss or the inability to recruit or retain them.	The Group seeks to mitigate this risk through appropriate remuneration policies and succession planning.
Whilst relations with employees are generally good, work stoppages or other industrial action could have a material adverse effect on the Group.	The Group seeks to ensure good employee relations through engagement and dialogue.