

DIRECTORS' REPORT  
GOVERNANCE REPORT  
CORPORATE GOVERNANCE REPORT



**Philip Toomey**  
Chairman of the Board

Dear Shareholder,

I am pleased to present the Kerry Group Corporate Governance Report for the year ended 31 December 2019.

The Board is committed to ensuring that the Group achieves the highest standards of governance in line with best practice. Following the publication of the 2018 UK Corporate Governance Code (the new Code), the Board reviewed its corporate governance policy and processes and implemented the appropriate changes required to comply with the new Code.

The Corporate Governance Report describes how we apply the main Principles of good governance as set out in the 2018 UK Corporate Governance Code and the Irish Annex (the Code). On behalf of the Board I can confirm that for the year under review the Group has complied with all relevant Provisions of the new Code other than certain remuneration Provisions which will be considered as part of the Executive Directors' remuneration policy review to be conducted in 2020 in line with the normal three year cycle. Further details are outlined in the Remuneration Committee Report on page 116.

The Board sets the tone and shared values for the way in which the Group operates and recognises the importance of culture to the success of the business model. During 2019, the Group articulated its Purpose, refreshed its Values and communicated both across the organisation via leader led Kerry Way workshops. The Board also assessed and monitored the Group's culture to ensure that it is aligned with the Group's strategy and Values and is adequately embedded across the Group.

As a Board, we recognise the benefits of understanding the views of all our stakeholders and we ensure that their interests are regarded in Board discussions and in our decision making. Enhanced engagement mechanisms, including the appointment of a designated workforce engagement Director were introduced during 2019. Details of stakeholder engagement activities during the year are outlined on pages 100-103.

The Board, in conjunction with the Nomination Committee, ensures that there are robust plans in place to facilitate Board, executive and senior management succession.

Diversity at Board level has been a focus for the Nomination Committee for a number of years and continues to be a key factor when considering Board refreshment. During 2019, the Nomination Committee reviewed senior management development and succession plans to ensure the appropriate level of skills and diversity exists, to support the delivery of the Group's strategy and financial targets. Improving and monitoring diversity beyond gender and below Board level will continue to be a key area of focus for the Board and the Executive Team in 2020.

Each year the Board undertakes a formal evaluation of its effectiveness and that of its Committees. In 2019, this was externally facilitated by Independent Audit Limited. Following this review, the Directors determined that the Board and its Committees are operating effectively. Details of the process and the resulting actions from the Board performance evaluation are outlined on page 105.

Details of the Group's activities and the operations of the Board, contained in the following report, outline the manner in which the Group has achieved compliance with the Code through the activities and operations of the Board and its Committees during the year.

A handwritten signature in black ink, appearing to read 'Philip Toomey', written over a light blue horizontal line.

**Philip Toomey**  
Chairman of the Board

## Board Leadership and Company Purpose

### Kerry Group Governance Framework

Kerry Group has a clear Governance Framework with defined responsibilities and accountabilities as outlined in the diagram below. This Governance Framework is designed to safeguard long term shareholder value and ensure that the Group contributes to wider society.



### Board Role and Operations

The Board currently comprises of 12 members, a non-Executive Chairman, Chief Executive Officer, Chief Financial Officer, one other Executive Director, and eight non-Executive Directors.

The Directors are of the opinion that the composition of the Board provides the extensive relevant business experience needed to oversee the effective operation of the Group's activities and that the individual Directors bring a diverse range of skills, knowledge and experience, including financial as well as industry and international experience, necessary to provide effective governance and oversight of the Group.

The Board's role is to promote the long term sustainable success of the Company generating value for all its stakeholders, including shareholders, employees, customers, suppliers and the communities in which it operates, while exercising business judgement on developing strategy, and managing the risks that face the organisation. It is also responsible for establishing the purpose, instilling the appropriate values and behaviours, together with monitoring and assessing culture throughout the organisation.

The Board has a formal schedule of matters specifically reserved to it for decision as noted below and has delegated other responsibilities to management for day-to-day operations within the context of the Kerry Group Governance Framework as outlined above.

#### Schedule of Matters Reserved for the Board

- Appointments to the Board;
- Ensuring compliance with corporate governance, legal, statutory and regulatory requirements;
- Approval of the overall Group strategic and operating plans;
- Monitoring and reviewing risk management and internal control systems;
- Monitoring and assessing culture;
- Reviewing and assessing the adequacy of the Group's whistleblowing arrangements;
- Approval of acquisitions and divestitures;
- Approval of significant capital expenditure;
- Approval of Treasury policy including changes to the Group's capital structure;
- Approval of dividend policy and dividends;
- Approval of annual budgets;
- Approval of preliminary results, interim management statements and interim financial statements;
- Assessment of the long term viability of the Group and the going concern assumption; and
- The preparation of, and confirmation that, the annual report and financial statements present a fair, balanced and understandable assessment of the Company's position performance and prospects.

The Chairman ensures that all Directors have full and timely access to such information as they require to discharge their responsibilities fully and effectively. Board papers are issued to each Director at least one week in advance of Board meetings and include the meeting agenda, minutes of the previous Board meeting and all papers relevant to the agenda. The Chairman, in conjunction with the Company Secretary, has primary responsibility for setting the agenda for each meeting. All Directors continually receive comprehensive reports and documentation on all matters for which they have responsibility to allow them to fully complete their duties as a Director. All Directors participate in discussing strategy, trading updates, financial performance, significant risks and operational activities as well as the Group's Purpose, Values and culture. Board meetings are of sufficient duration to ensure that all agenda items and any other material non-agenda items that may arise are adequately addressed.

In accordance with an agreed procedure, in the furtherance of their duties, each Director has the authority to engage independent professional advice at the Company's expense. There is a Directors and Officers liability policy in place for all Directors and Officers of the Company against claims from third parties relating to the execution of their duties as Directors and Officers of the Company and any of its subsidiaries.

## Strategy

The Group communicated the five year strategic plan for 2018-2022 to the market at a Capital Markets Day held in 2017. During 2019, as part of the annual strategy review, the Board received presentations from Group and divisional management on progress to date implementing the strategies for growth, margin expansion and return on investment that underpin the plan and its associated financial targets. Through this review, the Board is able to assess and identify changing and emerging risks and opportunities which could impact the Group and provide input and strategic guidance as required.

The Board ensures that the decisions it makes are aligned with the achievement of the Group's strategy and are made in the long term interest of the Group and its stakeholders. This is particularly the case when deciding how to prioritise the allocation of resources (human and financial capital) across competing research and development activities, acquisition opportunities and major capital expenditure projects.

During the year, the Board also reviewed the business model and how it is executed. The Board is satisfied that the business model is both sustainable in the long term and optimally structured to enable delivery of the Group's strategy.

## Purpose, Values and Culture

As the world leader in taste and nutrition, our Purpose is to Inspire Food and Nourish Life. This is a core element of The Kerry Way which was formalised through a collaborative process with input from employees across the Group and approved by the Board.

The Group's Purpose guides us on the journey to make it easier and more valuable for customers to do business with Kerry, as the Group seeks to make a greater, more lasting difference in the world. The Board is satisfied that the strategies for the Taste & Nutrition and Consumer Foods businesses are aligned to the Group's Purpose. The Board is also guided by the Group's Purpose during its discussions and when making decisions on the matters that are reserved for its consideration. Further details of the Group's Purpose are outlined on pages 6-7.

The Group's Values of Courage, Ownership, Inclusiveness, Open-mindedness and Enterprising Spirit are also a core element of The Kerry Way and underpin its Purpose. These Values were approved by the Board during 2019 and reflect the best of the Group's heritage in line with our forward looking ambition. Further details of our Values are outlined on page 19.

The Group's culture is based on a common understanding of our Values, underpinned by our foundation of Safety First, Quality Always and a robust risk management framework consisting of policies and procedures, including a Code of Conduct which defines business conduct standards for anyone working for, or on behalf of, the Group.

The Board recognises the importance of its role in setting the tone of Kerry's culture and embedding it throughout the Group. In addition to the Board, the executives have responsibility to ensure that the policies and behaviours set at Board level are effectively communicated and implemented throughout the Group. The Kerry Way framework articulates the Group's Purpose and Values and the myKerry intranet site provides a platform for employees to access the Group's policies.

The Board monitors and assesses the culture of the Group through a number of mechanisms including policy and compliance processes, internal audit, formal and informal channels for employees to raise concerns including the ourVoice employee engagement survey and the Group's whistleblowing arrangement. If the Board is concerned or dissatisfied with any behaviors or actions, it seeks assurance from the executives that corrective action is being taken.

## Stakeholder Engagement

While the Board's primary duty is to act in a way that promotes the long term success of the Company for the benefit of the shareholders, the Directors also acknowledge the need to have regard to the interests of all other stakeholders in their discussions and decision making. Engagement with stakeholders enables better informed decision making, thereby increasing the likelihood of long term successful outcomes. Similarly, the Board also recognises the need to maintain a reputation for high standards of business conduct in its actions and decisions. Details of our stakeholder engagement are set out in the table on pages 101-102.

## Shareholders

### Our Engagement

The Board ensures it has an effective channel of communication with existing and potential shareholders. The Investor Relations team and Executive Management maintain ongoing engagement with the investment community, through a variety of different mediums including investor meetings and conferences, investor events, ongoing investor calls and correspondence. During 2019, meetings were held with over 580 investors in 13 cities and five investor conferences were held at the Global Technology & Innovation Centre in Naas, Ireland.

In addition, a significant amount of published material including results releases, presentations, share price information and news releases are accessible to all shareholders on the Group's website [www.kerrygroup.com](http://www.kerrygroup.com).

Shareholder presentations are made at the time of release of the Group's interim and full year results, following which the Chief Executive Officer and Chief Financial Officer provide the Board with an update on feedback received. Regular updates are provided by the Chief Financial Officer to the Board on matters raised by shareholders and analysts as well as updates on the composition of the Group's share register.

Attendance of, and questions from, shareholders at the Company's Annual General Meeting (AGM) are welcomed by the Board. The AGM also provides an opportunity for the Directors to deliver presentations on the business to shareholders, both institutional and private. Further details are outlined on page 103.

### Material Matters

Matters of importance to shareholders include the Group's strategic development, financial performance, environmental, social and governance matters, Board composition and succession planning, and Executive Directors remuneration related matters.

### Our Response

When necessary, the Board and Committee Chairpersons engage with shareholders on specific topics and where relevant provide feedback to the Directors. During 2019, the Chairman of the Board met with the Company's largest shareholder and the Remuneration Committee Chairperson consulted with a number of large institutional shareholders.

All the Committee Chairpersons attend the AGM and are available throughout the year to meet shareholders on request.

## Employees

### Our Engagement

The Group undertakes regular two-way engagement activities with our 26,000+ employees including employee briefings and Town Halls led by business leadership teams and the ourVoice employee engagement survey followed by team feedback sessions. During 2019, leader led Kerry Way workshops were held across the global organisation to communicate and embed the Group's Purpose and refreshed Values. By the end of the year, 90% of all Group employees had participated in these workshops.

Updates on employee engagement activities were presented to the Board and the Nomination Committee by the executives on a regular basis throughout the year. Board members also engaged directly with business leadership teams and emerging talent when the Board meetings were held in Poland and Naas and during individual visits to other Group locations.

### Material Matters

Key themes identified from employee feedback included enhanced leadership development, refined operating model and career development opportunities.

### Our Response

The Board appointed a designated workforce engagement Director and approved a workforce engagement plan.

The Board provided feedback and insight on, and ultimately approved, The Kerry Way framework, a refreshed set of Kerry Leadership Competencies and Values, enhancements to the Group's operating model as well as the action plans agreed to address the matters raised by employees as part of the ourVoice engagement survey.

Details of employee engagement and activities are outlined in Our People on pages 18-23 and the Sustainability Review on pages 49-72.

## Customers & Consumers

### Our Engagement

Kerry operates a proven customer-centric business model that enables us to work side by side with customers as their co-creation partner of choice. The Group interacts with customers on a daily basis at multiple levels such as dedicated relationship and account managers and tailored innovation forums. During 2019, the Group conducted a customer satisfaction survey with its major customers as well as engaging with them as part of the development of a new sustainability programme.

Feedback from customer engagement activities was discussed at each Board meeting as part of the business updates provided by the Executive Directors. The Board also received customer related presentations from the Group Head of Sustainability as well as other senior managers over the course of the year. As part of the Board visit to Poland in June 2019, Board members engaged directly with representatives of major customers in Eastern Europe to enhance the Board's understanding of the Group's activities and customer requirements in that marketplace.

### Material Matters

Our customers are responding to the unprecedented level of disruption in the food and beverage industry by delivering authentic products that combine both great taste while meeting nutrition and functionality demands. Key for customers to win in this fast moving environment is the ability to bring more products to market and at pace.

### Our Response

During the year, the Board approved changes to the Group's operating model to enhance the Group's ability to meet customer requirements in the most innovative, effective and efficient way possible. When approving acquisitions and capital expenditure investments, the Board is mindful of the impact that the decision will have on the Group's ability to help our customers to achieve their growth ambitions. The Board approves the Group's significant investment in Research & Development activities and together with management ensure that this resource is focused on those projects that can best meet customers' needs and thereby enable the Group to achieve its strategic objectives in relation to revenue growth, margin expansion, return on investment and enabling food production in a more environmentally sustainable manner. Examples include the launch during the year of the Group's Radicle™ brand of plant-based offerings and the investment needed to develop an enhanced predictive artificial intelligence (AI) tool, Kerry Trendspotter™ to understand new trends in the marketplace.

Further details are outlined in Our Business Model on pages 24-25, Our Strategy on pages 28-30 and the Sustainability Review on pages 49-72.

## Suppliers

### Our Engagement

Kerry engages with suppliers on a daily basis to manage ongoing operational activities through a dedicated procurement function. In addition, the Group has identified key suppliers with whom we have more strategic relationships.

Updates on supplier engagements were provided to the Board throughout the year by the Executive Directors and specifically by the Group Head of Sustainability as part of his Board briefings in relation to the Group's Sustainability Programme.

### Material Matters

Matters of importance to our suppliers include cost recovery, availability of supply and sustainable sourcing, with the ethical treatment of workers in the supply chain being an area of increasing focus. During 2019, the impact of Brexit on availability and cost of supply was also a topic which received particular attention in our Consumer Foods division.

### Our Response

Through the Group's Sustainability Programme, the Board ensures that the organisation works with suppliers who provide raw materials to the required safety and quality standards, produced on a sustainable basis and with the proper regard for the fair treatment of all workers in the supply chain.

Further details are outlined in the Sustainability Review on pages 60-63.

## Community

### Our Engagement

Kerry engages with community representative bodies, charities and leading non-governmental organisations in all the locations in which it operates. Our employees support community projects in different countries and participate in our Kerry Volunteer programme.

The Board reviews our local community plan as part of the overall sustainability programme.

### Material Matters

Matters of importance include employment and local economic development, environmentally responsible food production and community support programmes.

### Our Response

Details of the Group's community engagement activities are outlined in the Sustainability Review on pages 68-72.

## Consideration of Stakeholder Views in the Decision Making Process

By understanding the matters of importance to our stakeholders, the Board can consider their needs and concerns in its decision making. The Board ensures that material decisions which could impact on stakeholder groups are taken with due regard to their interests.

During 2019, the Board improved its stakeholder engagement mechanisms and the procedures to ensure that stakeholder interests are considered in its discussions and decision making. The Board is committed to enhance these procedures further.

## Annual General Meeting

All Directors attend the AGM and are available to meet with shareholders and answer questions as required. Notice of the AGM, proxy statement and the Annual Report and financial statements are sent to shareholders at least 20 working days before the meeting. A separate resolution is proposed at the AGM on each substantially separate issue including a particular resolution relating to the adoption of the Directors' and Auditors' reports and the financial statements. Details of the proxy votes for and against each resolution, together with details of votes withheld

are announced after the result of the votes by hand. These details are published on the Group's website following the conclusion of the AGM. At the AGM held on 2 May 2019, there were no material votes cast against any resolutions.

## Whistleblowing Arrangement

The Group's whistleblowing arrangement includes an externally facilitated multi-lingual hotline 'Express a Concern' through which all employees and third parties can raise concerns in confidence about possible wrong doings in financial reporting and other matters, 24 hours a day by phone or online.

All whistleblowing incidents are reviewed by the Head of Internal Audit and formally investigated by the relevant functional heads depending on the nature of the concern raised.

In 2019, the Audit Committee reviewed the whistleblowing incidents and outcomes and provided updates to the Board which enabled the Board to assess the adequacy of the whistleblowing arrangements and to review the reports arising from its operation. The Board is satisfied that the Group's whistleblowing arrangements are operating effectively.

## Division of Responsibilities

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### Chairman and Chief Executive Officer

The roles of the Chairman and Chief Executive Officer are separate and the division of duties between them is formally established, set out in writing and agreed by the Board. The Chairman is responsible for leadership of the Board and ensuring its effectiveness in all respects. The Executive Directors, led by the Chief Executive Officer, are responsible for the management of the Group's business and the implementation of Group strategy and policy.

### Senior Independent Director

Ms. Joan Garahy is the Group's Senior Independent Director (SID). The principal role of the SID is to provide a sounding board for the Chairman and to act as an intermediary for other Directors as required. The SID is responsible for the appraisal of the Chairman's performance throughout the year. She is also available to meet shareholders upon request, in particular if they have concerns that cannot be resolved through the Chairman or the Chief Executive Officer.

### Non-Executive Directors

The non-Executive Directors' main responsibilities are to review the performance of management and the Group's financial information, assist in strategy development, and ensure appropriate and effective systems of internal control and risk management are in place. The non-Executive Directors review the relationship with external auditors through the Audit Committee and monitor the remuneration structures and policy through the Remuneration Committee.

The non-Executive Directors provide a valuable breadth of experience and independent judgement to Board discussions.

### Company Secretary

Each Director has access to the advice and services of the Company Secretary, whose responsibilities include ensuring that Board procedures are followed, assisting the Chairman in relation to corporate governance matters, ensuring the Company complies with its legal and regulatory obligations and facilitating appropriate quality information flows between the business and the Board.

### Time Commitment

Under the terms of their appointment all Directors agreed to the time commitment schedule which requires them to allocate sufficient time to discharge their responsibilities effectively. This matter is considered by the Nomination Committee on an ongoing basis in accordance with its Terms of Reference.

### Independence

The Board, as a whole, has assessed the non-Executive Directors' independence and confirmed that, in its opinion, all non-Executive Directors are independent in accordance with the Code. The Board notes that Dr. Hugh Brady and Ms. Joan Garahy serve on the Board of ICON plc. The Board is satisfied that they are able to apply objective and independent judgement to act in the best interest of the Company.

## Conflicts of Interest

Under the terms of their appointment all Directors have continuing obligations to update the Chairman as soon as they become aware of a situation that could give rise to a conflict or a potential conflict of interest.

## Board Committees

The Board has three Committees, the Audit Committee, the Nomination Committee and the Remuneration Committee, which support the operation of the Board through their focus on specific areas of governance. Each Committee is governed by its terms of reference, available from the Group's website ([www.kerrygroup.com](http://www.kerrygroup.com)) or upon request, which sets out how it should operate including its role, membership, authority and duties. Reports on the activities of the individual Committees are presented to the Board by the respective Committee Chairpersons.

Further details on the duties, operation and activities of all Board Committees can be found in their respective reports on pages 107-139 and these reports form part of the Governance Report.

## Meetings and Attendance

The Board meets sufficiently regularly to ensure that all its duties are discharged effectively. All Directors are expected to prepare for and attend meetings of the Board, the Committee of which they are members and the AGM. Should any Director be unable to attend a Board meeting in person, conferencing arrangements are available to facilitate participation. In the event that a Board member cannot attend or participate in the meeting, the Director may discuss and share opinions on agenda items with the Chairman, Chief Executive Officer, Senior Independent Director or Company Secretary in advance of the meeting. During the year, additional Board meetings were convened to discuss strategic acquisition opportunities. As a result a total of 14 meetings were held in 2019, and individual attendance at the Board and Committee meetings is set out in the table below.

Directors	Board	Audit Committee	Nomination Committee	Remuneration Committee
Philip Toomey	14/14	-	4/4	-
Edmond Scanlon *	14/14	-	-	-
Marguerite Larkin *	14/14	-	-	-
Gerry Behan *	14/14	-	-	-
Hugh Brady	13/14	6/6	4/4	-
Gerard Culligan	13/14	-	-	-
Karin Dorrepaal	14/14	-	4/4	4/4
Joan Garahy	13/14	6/6	-	4/4
James C. Kenny	13/14	-	4/4	4/4
Tom Moran	14/14	5/6	-	4/4
Con Murphy	14/14	-	-	-
Christopher Rogers	14/14	6/6	-	-

\* Executive Directors

Attendance statistics represent: Total number of meetings attended by the Director / Total number of meetings held during the year.

## Composition, Succession and Evaluation

### Board Induction and Development

On appointment to the Board, each new non-Executive Director undergoes a full formal induction programme. This induction includes an overview of their duties and responsibilities as a Director, presentations on the Group's operations and results, meetings with key executive management and an outline of the principal risks and uncertainties of the Group.

Throughout the year, the Board as a whole engages in development through a series of consultations with subject matter experts on a range of topics including risk management, corporate governance and strategy. Presentations are also made by Executive Directors and senior management on various topics throughout the year in relation to their areas of responsibility.

On an annual basis, a Board meeting is combined with a comprehensive schedule of activities over a week long period, to allow Directors further develop their understanding of the Group's activities and meet with local senior management and emerging talent. The June 2019 Board meeting was held in Krakow, Poland. The visit focused on Kerry's Taste & Nutrition strategy for Europe and Russia with presentations received on strategy, market updates and trading performance from the Polish, Russian, Eastern Europe and Northern Europe senior management teams. An economic update on the Polish market was also presented by an external industry expert. Representatives from a major customer in Eastern Europe were also invited to present and engage in discussion with the Board on their experience of working with Kerry. While in Poland, the Board hosted a dinner with key stakeholders including employees, customers, representatives of government and trade and enterprise agencies. This provided an informal opportunity for the Board to engage with stakeholders in the local market.

The November Board meeting was held at the Group's Global Technology & Innovation Centre in Naas, Ireland. During the visit, the Board met with the Taste & Nutrition European leadership team who briefed Board members on progress achieved implementing the strategic priorities for growth across all end use markets in the region.

As part of their personal development plans, individual non-Executive Directors were also afforded the opportunity to visit a number of the Group's international facilities and operations. In 2019, the Chairman Mr. Philip Toomey visited sites in Ireland and France, attended the opening of a new manufacturing facility in Tumkur, India, and together with Mr. Christopher Rogers visited the North America Savoury Taste Centre of Excellence and manufacturing facility in Clark, New Jersey, USA.

Individual Board members training requirements are reviewed with the Chairman and Company Secretary and training is provided to address these needs.

### Board Performance Evaluation

In accordance with provisions of the Code, a performance evaluation of the Board is carried out annually and facilitated externally every third year.

In 2019, the Board engaged Independent Audit Limited (Independent Audit) to facilitate the performance evaluation. Independent Audit, based in the UK, is recognised as a leading firm of board performance evaluators. Independent Audit has no connections to Kerry Group.

The review, performed during October and November 2019, considered the effectiveness of the Board and its Committees. Independent Audit gathered the views of all Directors, the Company Secretary and a number of senior executives through interviews. In addition, as part of the evaluation process Independent Audit observed the October Board meeting, the November Audit Committee meeting and reviewed Board and Committee papers. The topics covered during the Board performance evaluation included Board composition and succession planning, Board remit and responsibility, Board meetings and communication, strategy, risk, performance and culture. A thorough discussion followed a presentation of the findings made to the Board by Independent Audit at the December Board meeting. Each Committee also considered the observation specific to their work.

The Chairman appraised the performance of each of the non-Executive Directors by meeting each Director individually. The key areas reviewed were independence, contribution and attendance at Board meetings, interaction with Executive Directors, the Company Secretary and senior management, ability to communicate issues of importance and concern, their knowledge and effectiveness at meetings and the overall time and commitment to their role on the Board.

In addition, the Senior Independent Director formally appraised the performance of the Chairman. This appraisal was similar to the non-Executive Director evaluation process which included feedback from all Directors on the Chairman's performance during the year.

During the year, the non-Executive Directors met without the presence of the Executive Directors and, led by the Chairman, undertook a formal review of the performance of the individual Executive Directors.

Overall, the Board concluded that the outcomes of the evaluation process have been positive and have confirmed to the Chairman that the Board and its Committees operate effectively, and that each Director contributes to the overall effectiveness and success of the Group. The actions identified from the 2019 performance evaluation included recommendations to improve certain Board reporting and the approach to specific areas of risk management.

Progress against recommendations from the previous internal evaluation were also considered and the Board is satisfied that improvements have been made which have enhanced the operation and effectiveness of both the Board and its Committees.

The Chairman, along with the Company Secretary, will ensure that actions identified from the 2019 report and areas for consideration arising from the Directors' appraisal, where identified, will be considered during 2020.

# Audit, Risk and Internal Control

## Risk Management and Internal Controls

The internal control framework in Kerry Group encompasses the policies, processes, tasks and behaviours, which together facilitate the Group's effective and efficient operation by enabling it to respond appropriately to significant business, operational, financial, compliance and other risks to achieve its business objectives.

The systems which operate in Kerry Group provide reasonable, but not absolute, assurance on:

- the safeguarding of assets against unauthorised use or disposition; and
- the maintenance of proper accounting records and the reliability of the financial information produced.

The Board has delegated certain duties to the Audit Committee in relation to the ongoing monitoring and review of risk management and internal control systems. The work performed by the Audit Committee is described in its report on pages 107-111.

Full details of the risk management systems are described in the Risk Report on pages 73-75.

The principal risks and uncertainties facing the Group, including those that could threaten the business model, future performance, solvency or liquidity are described on pages 75-88. Emerging risks are also identified, analysed and managed as part of the same process as the Group's other principal risks as described on page 75. The Directors confirm that they have carried out a robust assessment of these risks and the actions that are in place to mitigate them.

The Directors confirm that they have also reviewed the effectiveness of the systems of risk management and internal control which operated during the period covered by these financial statements and up to the date of this report. Based on the review performed, the Directors concluded that for the year ended 31 December 2019, the Group's systems of risk management and internal control were effective. The procedures adopted comply with the guidance contained in Guidance on Risk Management, Internal Control and Related Financial and Business Reporting (2014) as published by the Financial Reporting Council in the UK.

## Features of Internal Control in Relation to the Financial Reporting Process

The main features of the internal control and risk management systems of the Group in relation to the financial reporting process include:

- The Board review and approve a detailed annual budget and monitor performance against the budget through periodic Board reporting;

- Prior to submission to the Board with a recommendation to approve, the Audit Committee review the Interim Management Statements, the Interim and Annual Consolidated Financial Statements and all formal announcements relating to these statements;
- Adherence to the Group Code of Conduct and Group policies published on the Group's intranet ensures the key controls in the internal control system are complied with;
- Monthly reporting and financial review meetings are held to review performance at business level ensuring that significant variances between the budget and detailed management accounts are investigated and that remedial action is taken as necessary;
- The Group has a Financial Compliance function to establish compliance policies and monitor compliance across the countries in which the Group operates;
- The Group operates a control self-assessment system covering the key controls for a number of key Financial and Operational functions within the Group;
- A well-resourced and appropriately skilled Finance function is in place throughout the Group;
- Completion of key account reconciliations at reporting unit and Group level;
- Centralised Taxation and Treasury functions and regional Shared Service Centres established to facilitate appropriate segregation of duties;
- The Group Finance Committee has responsibility for raising finance, reviewing foreign currency risk, making decisions on foreign currency and interest rate hedging and managing the Group's relationship with its finance providers;
- The Board, through the Audit Committee, completes an annual assessment of risks and controls;
- Appropriate ICT security environment; and
- The Internal Audit function continually reviews the internal controls and systems and makes recommendations for improvement which are reported to the Audit Committee.

## Fair, Balanced and Understandable

The Directors have concluded that the Annual Report and Consolidated Financial Statements, taken as a whole, provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy and is fair, balanced and understandable. This assessment was completed by the Audit Committee and the activities undertaken in reaching this conclusion are outlined on page 109.