Effective risk management

Well-managed risk-taking lies at the heart of our Performance Ambition. Effective risk management drives better commercial decisions, protects our assets and supports a growing, resilient and sustainable business.

Our approach

We believe that effective risk management starts with the right conversations to drive better business decisions. Our primary focus is to identify and embed mitigating actions for material risks that could impact our current or future performance, and/or our reputation. Our risk management efforts aim to be holistic and integrated, bringing together risk management, internal controls and business integrity, ensuring that our activities across this agenda focus on the risks that could have the greatest impact. We have recently reviewed and refreshed our principal risks, our risk appetite and our approach to risk management. Our approach is also structured to ensure that we take all reasonable steps to mitigate, but not necessarily eliminate, our principal risks in this context.

Accountability for managing risk is embedded into our management structures. Each market and function undertakes an annual risk assessment, establishes mitigation plans and monitors risk on a continual basis.

Our Executive Audit & Risk Committee (ARC) regularly assesses risk, and the Audit Committee (AC) independently reviews the assessment. The ARC meets quarterly and receives regular reports on the risks faced across the business and the effectiveness of the actions taken to mitigate these risks. We use internal and external data to monitor our risks and to make proactive interventions. We also establish cross-functional working groups and use expert advice, where necessary, to ensure significant risks are effectively managed and, where appropriate, escalated to the ARC and Audit Committee for consideration.

Further details about our risk management approach are described in the Corporate governance report on page 87 and in the Audit Committee report on pages 99-103

Our principal risks

The Board considers principal risks to be the most significant risks faced by the group, including those that are the most material to our performance and that could threaten our business model or future long-term performance, solvency or liquidity. They do not comprise all the risks associated with our business and are not set out in priority order. Additional risks not known to management, or currently deemed to be less material, may also have an adverse effect on the business.

This year's annual review of our principal risk descriptions has resulted in a number of changes. We have combined risks as a result of aligned cause and effect, while simplifying others. All principal risks have updated descriptions, risk outlooks and mitigating actions.

Our overall risk footprint reflects significant external threats, such as geopolitical risks, climate change, digital revolution, and the resulting impact of global uncertainty in many areas. The pandemic risk was elevated from an emerging risk last year. The risk associated with Covid-19 is better understood, however the risk of a new pandemic is possible. This year, we have combined the risk of a pandemic with a business interruption risk. We have also merged Geopolitical and Macroeconomic volatility, and Product quality and counterfeit, and have incorporated Data Privacy as part of the overall Business ethics & Integrity risk.

This year, we have elevated Supply chain disruption as a separate principal risk.

Update on our response to the Covid-19 pandemic and ongoing supply chain disruption

The pandemic continues to cause disruption in regions across the world, contributing to a heightened level of uncertainty. Vaccination rollouts are at all-time highs in many markets, and our understanding and agility in responding to and managing through volatility has grown. Our ongoing mitigations and developments concerning the Pandemic & Business interruption risk are articulated in the principal risk section below.

Supply chain disruption has emerged as a risk of significant global impact. Ongoing geopolitical issues, increasing inflation, strict regional responses to Covid-19 outbreaks, in addition to heightened demand for raw and packaging materials, has led to ongoing constraints, longer lead times and increased costs. We continue to improve our levels of resilience across our end-to-end supply chain, while continuously monitoring the external landscape and responding with agility.

Risk appetite

This year, we have progressed our approach to the assessment of principal risks, and risk appetite. The ARC and the Audit Committee have defined the group's risk appetite across our risk categories (Strategic, Financial, Operational and Regulatory). A three-point risk appetite scale (Averse, Cautious and Open) and appetite ratings have been applied, using both quantitative and qualitative criteria that align to the delivery of our Performance Ambition. This category-led approach enables practical application of risk appetite thresholds to all business risks, which informs the level of mitigation required. Examples of risks for which we have an averse appetite include risks that could: harm our people; impact product quality; cause us to market irresponsibly or act without integrity; and be non-compliant with laws and regulations, including those relating to financial reporting.

Risks that can be partially mitigated through insurance are also identified and evaluated. We focus our insurance resources on the most critical areas or where there is a legal requirement, seeking a balance between retained risk and risk transfer. As insurance markets are getting tighter, this is an area we continue to monitor.

Emerging risks

The ARC and Audit Committee formally review emerging risks. Our Corporate Strategy and Enterprise Risk Management teams undertake horizon-scanning to monitor any potential disruptions that could dramatically change our industry and/or our business, from both a risk and opportunity perspective, for the Executive to understand the changing landscape and take appropriate actions.

We perform scenario planning and draw on external thinking and research to consider the changes around us, to understand how our risk profile could change over a longer period. Emerging risks we are monitoring include the changing socio-economic landscape.

The changing socio-economic landscape

The human and economic cost of the pandemic has been significant, leading to increased poverty and unemployment levels, which have been compounded by further geopolitical instability and sharp global cost inflation. These factors and others are contributing to increased social inequalities and a widening of the wealth gap between demographics. Whilst we cannot completely mitigate the impact of this risk, we continue to monitor this changing socio-economic landscape, its impact on our consumer base and their buying preferences, and the development of our pricing strategies accordingly.

This list does not include all of our risks, and the risks listed are not set out in order of priority.

Risk and impact	Mitigation plans	Risk outlook
1. CLIMATE CHANGE & SUSTAINABILITY EG CVC CT EP V Physical and transition climate change risks, including water stress, extreme weather events, temperature rises and increased regulation, may result in increased volatility in the supply of raw materials, production costs, capacity constraints and higher costs of compliance. In addition, the failure to meet sustainability goals could result in loss of licence to operate, financial loss and reputational damage amongst customers, consumers, investors and other stakeholders.	**Ongoing mitigations** • Resource-scarcity issues identified and mitigated, especially within agricultural ingredient sourcing, and manufacturing, water and energy • Physical risk exposures identified for sites assessed in North America and Scotland, and built into site risk footprints • 'Society 2030: Spirit of Progress' ambition launched and operationalised to deliver against key targets and longer-term goals. • Water blueprint defined and operationalised in water-stressed locations • Communication programmes in place to share impact, strengthen reputation and support advocacy platform • Carbon pricing being assessed as an internal mechanism to drive deeper understanding of the impact of our energy choices **Developments in 2022** • Progress against our 'Society 2030: Spirit of Progress' targets (see pages 30-31). • Further multi-year climate change risk assessments and scenario analysis performed to evaluate short- and long-term impacts from physical and transition risks • The cross-functional Climate Risk Steering Group sets our strategy for ongoing climate risk assessment, and manages associated opportunities and risks, while continuing to develop our approach to climate change risk reporting. (see page 47) • We have increased resource dedicated to the mitigation of climate impact within our sustainability, sourcing and finance teams	**Increasing ▲** Climate action failure, extreme weather and biodiversity loss continue to top the list of the globe's highest risks, with regulations and government interventions expected to continue to increase. Transition climate risk is expected to increase due to the acceleration of regulatory efforts to control global warming. In addition, transition risks associated with increased customer and consumer awareness and action on climate change are likely to accelerate.
2. REGULATION, TRADE BARRIERS AND INDIRECT TAX EG CVC CT V Public health concerns may lead regulators in major markets to ban or restrict the marketing or sale of alcohol, while increased trade tensions and/or fiscal pressures may prompt the introduction of trade barriers and/or disproportionate tax increases, all of which may result in financial loss.	**Ongoing mitigations** • We run multi-year public policy campaigns to minimise risk and unlock tax, trade and regulatory opportunities • We have active involvement with the United Kingdom, the European Union and the United States authorities to prevent escalation of tariff tensions • Our positive drinking programmes are supported by a global industry platform to promote responsible drinking and tackle spirits discrimination • We practise evidence-based engagement to build trust and reputation with governments, health ministries and other stakeholders **Developments in 2022** • The geopolitical situation in Europe, with the Russian invasion of Ukraine, continues to impact business. Having initially suspended all shipping and trading to Russia and Belarus, we have now taken the decision to wind down our business operations in these markets • We continue to prioritise the execution of public policy campaigns in all markets, to minimise risks and unlock tax, trade and regulatory opportunities	**Increasing ▲** As we emerge from the pandemic and see increasing geopolitical tensions rise, as well as an increasing global inflation crisis, pressures on public finances will increase the need to raise new tax revenue.
3. PANDEMIC AND BUSINESS INTERRUPTION EG CVC CT EP V A significant interruption to our business due to external events (such as a public health threat/pandemic, war or natural hazard) could restrict access to our products, negatively affect our operations and brands, or pose a threat to the safety of our employees; any of which could have a negative impact on our commercial and financial performance.	**Ongoing mitigations** • Policies and processes are in place to prioritise the health and safety of our people • Global crisis management and business continuity management programmes, and training, are in place to enhance our capability to react effectively to a crisis, and minimise damage and disruption • Multi-channel product availability enables consumers to continue to purchase our products • Global diversification enables the manufacturing of some of our products across various sites, thereby reducing dependency • Insurance programmes in place to protect against the financial consequences of covered events • Security arrangements are in place across all sites • Well-established home working (including sales teams) supports business continuity **Developments in 2022** • The business acted rapidly to address the conflict in Ukraine, activating crisis teams and business continuity plans, in order to ensure employee safety, protect business operations, and plan for the future • The business continued to demonstrate great resilience in fiscal 22, dynamically managing the evolving Covid-19 risk and volatility, utilising crisis management teams and sharing lessons learnt, to support the business in adapting commercial ways of working to changing conditions	**Increasing ▲** • Restrictions are being lifted in most regions, signaling the transition from pandemic to lower-impact endemic situation. • However, further variants are expected to arise, with uncertainty over their potential impact; a significant variant could potentially reverse progress. • We continue to monitor risk of new pandemic strains. • In the short term, there will also be significantly heightened international tensions, widespread economic reverberations from sanctions, and interruption.

Strategic outcomes EG Efficient growth CVC Consistent value creation CT Credibility and trust EP Engaged people V Risk included in viability assessment

Risk outlook ▲ Increasing ▼ Decreasing ▶ Stable

Risk and impact	Mitigation plans	Risk outlook
4. GEOPOLITICAL AND MACROECONOMIC VOLATILITY EG CVC V Failure to react quickly enough to changing economic and/or political conditions, e.g., inflationary pressures, currency instability, global trade tensions, heightened political protectionism, changes to customs duties and tariffs, and/or eroded consumer confidence, may impact on our freedom to operate in a market and could adversely impact forecasting and/or financial performance.	**Ongoing mitigations** • Local and global monitoring of key business drivers and performance, to prepare for rapid changes in the external environment • Group-level strategic analysis and scenario planning to strengthen market strategies and risk management • Multi-country investment strategy and local sourcing strategies • Central hedging and currency monitoring to manage volatility • Dedicated cross-functional steering groups to manage acute issues, including inflation and other supply chain considerations **Developments in 2022** • We have continued to improve long-term forecasting and planning capabilities, resulting in 10-year volume forecasts by spirits category, region and price tier, to better assess and respond to long-term opportunities and risks • We have introduced a new strategic planning and performance function with a stronger governance model for financial and non-financial decision-making, which will enable closer monitoring of external volatility/risk and its impact on short, mid and long-term planning and performance management	**Increasing** • The global recovery from Covid-19 is continuing, but momentum has slowed and there is a risk of imbalanced recovery across geographies. • The Russian invasion of Ukraine has caused significant volatility in the region and beyond. • There is increasing risk of recession and slowing growth being reported. Inflationary pressures are broadly expected to continue in the short term but then start to ease over the medium term, as key bottlenecks ease, capacity expands, more people return to the labour force and demand rebalances.
5. INTERNATIONAL DIRECT TAX EG CVC CT V The international tax environment, including significant changes thereto, may alter our operating position, leading to an increased cost of compliance, an increase in our effective tax rates and/or unexpected tax exposures and uncertainty, resulting in financial loss.	**Ongoing mitigations** • We monitor and, where appropriate, express views on the formulation of tax laws either directly or through trade associations or similar bodies • We are continuing the implementation of our tax transformation programme, to standardise, centralise and automate tax activities and controls where possible • We have embedded our refreshed global transfer pricing policy, to ensure the way profits are taxed is consistent with business activities and economic substance **Developments in 2022** • We continue to monitor tax laws, and progress the implementation of our tax transformation programme	**Increasing** • The OECD's work on digitalisation may result in changes to how multinationals are taxed, and could result in tax increases – through the implementation of a global agreement on minimum effective tax rate, or unilateral actions by individual countries. • The risk of unilateral tax increases as governments seek to address fiscal challenges has begun to materialise, with the UK corporation tax rate increasing to 25% as of 1 April 2023.
6. SUPPLY CHAIN DISRUPTION EG CVC CT V Supply chain disruptions can occur for a range of reasons, including pandemics and volatility in consumer behaviour, customer and consumer demand, labour capacity and global economic conditions. We have been impacted by disruptions to our supply chain and this may continue to occur in the future. The occurrence of these events may result in shortages of essential materials, heightened logistical constraints, longer lead times and heightened third-party supplier disruption, and therefore may continue to have a negative impact our commercial and financial performance.	**Ongoing mitigations** • Regular reviews across supply chain and procurement areas to identify, assess and manage risks • Cross-functional scenario planning to ensure effective levels of resilience exist across single points of failure within the supply chain • Ongoing monitoring of capacity and demand ratios across the supply chain to ensure visibility of constraints and resilience is in place • Product portfolio simplification and stock-keeping unit (SKU) rationalisation, ensuring focus remains on keys SKU's while limiting the likelihood of out-of-stocks • Annual testing and review of supply site, business continuity and crisis management plans **Developments in 2022** • We have prioritised our portfolio and implemented various strategies based upon our product segmentation • We have partnered closely with our external partners, across ocean, logistics, cans and glass to build mitigation plans and manage volatility • We have leveraged our data visualisation and other tools to monitor and react to the rapidly changing consumer needs or supply chain disruptions • We have become more resilient by establishing dual sourcing solutions across the supply chain nodes	**Increasing** • Supply chain disruption is likely to grow in the near term, rather than stabilising. Geopolitical tensions, oil and gas prices, ongoing conflict in Ukraine and higher inflation will have an adverse impact on logistics, and material volatility, amidst broader supply chain impacts. • The economic reverberations are likely to impact first- and second-tier suppliers, supply chain lead times and sufficiency of supply.
7. CYBER AND IT RESILIENCE EG CVC CT V Sophisticated cyber and IT threats (both within our network and at third parties), including those facilitated through breaches of internal policies and unauthorised access, could lead to theft, loss and misappropriation of critical assets, such as personal and consumer data, and operational/production systems. Inadequate IT resilience arrangements and integration with legacy systems could cause disruption to core business operations, including manufacturing and supply, resulting in financial loss and reputational damage.	**Ongoing mitigations** • Enterprise-wide cyber risk management processes and policies • Our employees engage in mandatory global e-learning and regular phishing exercises • We have deployed next-generation security technologies to tackle advanced attacks • We have multi-factor authentication, single sign-on and privileged access management for sensitive applications • We perform IT disaster recovery and business continuity testing across our key systems • We monitor external cyber incidents to assess any potential risk and impact to our organisation **Developments in 2022** • Additional threat detection and incident management processes and tools • We continue to enhance our operational technology cyber capabilities at our manufacturing plants • The Board has approved the upgrade of our enterprise resource planning system and are reviewing associated processes to ensure they remain resilient	**Increasing** • Cyber attacks are becoming more prevalent, and we are increasingly dependent on third-party IT services and solutions. • Geopolitical tensions are growing, and there is a rise in more sophisticated cyber threats affecting all organisations, therefore the risk of a cyber attack remains heightened.

Risk and impact	Mitigation plans	Risk outlook
8. BUSINESS ETHICS AND INTEGRITY EG CT EP Lack of an embedded business integrity culture or any breach of our policies, relevant laws or regulations (including but not limited to anti-corruption, money laundering, global competition, human rights, data protection and economic sanctions) could result in significant penalties, financial loss and reputational damage.	**Ongoing mitigations** • Our Code of Business Conduct and supporting policies and standards set out compliance requirements which are then embedded throughout Diageo via regular training, communications, annual certification, and risk-based global and local engagement activities • Risk management process and assessment framework to identify, assess, mitigate and monitor business and compliance risks • Well-embedded control assurance programme and centralised second line of defence • Third-party due diligence process supported by technology and central oversight • Utilisation of data and analytics tools to proactively support risk identification, assessment and ongoing governance **Developments in 2022** • Leveraged existing sanctions and Know Your Business Partners processes to manage the impact of regulation and risks arising from the conflict in Ukraine. Supplemented these by quickly deploying a centralised team with specialist knowledge, to ensure compliance and structure our business accordingly • Deployment of values-based training and engagement across all levels, with a particular focus on anti-bribery and corruption as part of our Code of Business Conduct training, and conflicts of Interest and our SpeakUp whistleblower service • We have updated our global human rights framework and are further enhancing our governance processes, to ensure that human rights considerations are strengthened across all business operations and reflect emerging human rights regulations across the globe	**Increasing** • There are increased regulatory expectations with new legal regimes being imposed, and a heightened enforcement stance being adopted across different markets; e.g., enhanced economic sanctions relating to Russia, and an incoming UK strict liability offence for certain sanctions breaches (subject to civil penalties).
9. CONSUMER DISRUPTION EG CVC CT V Inability to respond and adapt our products or processes to disruptive market forces – including but not limited to digital technology, health and lifestyle priorities, altered consumption behaviour, new drivers of choice, and new formats and technologies – that could impact our ability to effectively service our customers and consumers with the required agility, and result in financial loss.	**Ongoing mitigations** • We have a highly diversified portfolio of brands, to ensure coverage of consumer occasions, trends and price points • We operate a rigorous process of strategy development and governance at corporate and market level • We perform a systematic review of emerging consumer and route-to-consumer trends at market and brand level, including growth of disruptive digital technologies • We focus our innovation on our strategic priorities and the biggest consumer opportunities, through global brand extensions and new-to-world products • Systematic review of emerging consumer and route-to-consumer trends at market and brand level, including growth of disruptive digital technologies • Our Demand Radar system provides enhanced demand forecasting capability at market and category level, allowing us to optimise marketing investment **Developments in 2022** • We have continued to refine our end-to-end early warning system for consumer disruption, bringing together demand sensing, signals gathering, trend detection, macro forces tracking, and consumption analysis into one comprehensive system of consumer intelligence and business resilience	**Stable** • The world is emerging from a period of extreme disruption that has reshaped consumerism both temporarily and residually. • Near-term consumer trends are likely to be characterised by a return to normalcy, and the normalisation of newly acquired (or recently accelerated) behaviours.
10. PRODUCT QUALITY AND COUNTERFEIT EG CT Accidental or malicious contamination of raw materials or finished product, and/or ineffective brand protection and intervention to address counterfeiting of our products supplied to market, could cause harm to consumers, damage our corporate and brand reputation and pose potential threats to our people due to the illicit nature of organisations involved in counterfeiting activities.	**Ongoing mitigations** • We have food safety system certification (FSSC 22000) in place for our owned brewing and packaging sites • We monitor the certification for third-party sites and, where necessary, exercise our contractual right to audit • Food fraud and food threat risk assessments are regularly undertaken • Anti-counterfeiting measures embedded in our packaging deter against reuse, making our products more difficult to copy and enabling rapid authentication • We operate an active programme to identify high-risk areas, engage with customs and law enforcement authorities, and participate in industry initiatives to monitor and prevent counterfeiting activity • We run an online monitoring and takedown programme across high-risk e-commerce and social media platforms, and directly engage with many platforms to create awareness and stop counterfeit listings **Developments in 2022** • Our Global Product Recall Standards have been strengthened, and training has been developed, with each market performing a test recall • We have further developed and standardised our approach to monitoring known and emerging food safety risks associated with the spirits category in fiscal 22, by implementing a global spirits product integrity testing programme • New vendor onboarded, enhancing our online monitoring capabilities and improving our ability to respond to online counterfeit risk • We have begun to roll-out upgraded liquid authentication machines	**Stable** • The risk of product quality risk remains stable, though material sourcing challenges mean we need to ensure that we maintain and implement our standards effectively to mitigate this additional risk. • The geopolitical risk in Eastern Europe (including Russia) brings increased risk of counterfeit as it creates porous borders; while the rise in inflation and the cost of living across many markets could lead to an increase in illicit activity.

Strategic outcomes EG Efficient growth CVC Consistent value creation CT Credibility and trust EP Engaged people V Risk included in viability assessment

Risk outlook Increasing Decreasing Stable

Viability statement

The Directors have reviewed the long-term prospects of the group in order to assess its viability. This review considered the activities and principal risks of the group, together with factors likely to affect the group's future performance, financial position, cash flows, liquidity position and borrowing facilities, as described in this Annual Report.

Assessment

In order to report on the long-term viability of the group, the Directors reviewed the overall funding capacity and headroom available to withstand severe and plausible downside events, and carried out a robust assessment of the relevant principal risks facing the group, including those that would threaten its business model, future performance, solvency, or liquidity. This assessment also included the review and understanding of mitigating factors for each principal risk. The risks and mitigating factors are summarised in this Annual Report.

The viability assessment has three parts

First, the Directors considered the period over which they have a reasonable expectation that the group will continue to operate and meet its liabilities. A three-year period is considered appropriate for this viability assessment, as this period is covered by the group's strategic plan and carries a high level of confidence in assessing viability.

Second, they considered the potential impact of severe but plausible scenarios over this period, each of which contains a combination of principal risks. None of the scenarios individually or in aggregate would cause Diageo to cease to be viable. A summary of the severe and plausible risks modelled, and the level of severity reviewed, is included below.

Thirdly, they considered the group's sources of liquidity to fund both the strategic plan and the impact of the severe scenarios over this period. Diageo has continuous access to the debt capital markets and committed facilities over the viability period, including the ability to refinance any maturing debt, or meet new funding requirements at commercially acceptable terms. The group's liquidity is supported by a healthy balance of short-term and long-term debt programmes, and £2.8 billion of committed credit facilities, if required. The group also has flexibility in reducing discretionary spending, including acquisitions and capital expenditure, as well as temporarily suspending/reducing its return of capital to shareholders (dividends or share buybacks).

Risk Scenarios Modelled	Description & Severity	Principal risks
Global economic downturn	Severe global recession compounded by heightened geopolitical tensions and sharp economic challenges, including significant cost inflation, sustained foreign exchange volatility and fiscal tightening. This results in lost sales, through reduced consumer confidence, greater volatility amongst our customers, and heightened price sensitivity. Geopolitical tensions also drive up risk of cyber-attack, causing production and shipment outages in key sites. **Sales:** Reduction in volumes across the three-year period, and consumer downtrading, with reduced pricing outcomes. **Costs:** Geopolitical tensions increase costs of raw materials and freight, adversely impact gross margin.	Geopolitical and macroeconomic volatility International direct tax Cyber and IT Resilience
Pandemic-driven demand shock	A sharp shock to demand driven by a global pandemic results in temporary closure of on-trade outlets, extensive travel bans across the globe, driving heightened credit and accounts receivable risks across our customer base. Supply chains are disrupted by labour and logistical constraints, causing volatility within our internal, third party and suppliers' operations. **Sales:** Sharp shock, with severely reduced sales from the onset of the pandemic for a sustained period of time. **Costs:** Increased volatility for inbound and outbound logistics. **Cash:** Inability to collect cash from customers due to reduced trading ability, impacting free cash flow.	Pandemic and business interruption Supply chain disruption
Consumer choice changes and regulatory impact	Consumer preferences move away from alcohol consumption and large international brands, driven by changing health and lifestyle priorities and social habits, alongside trends to support new, local and independently owned brands. In parallel, public health concerns lead regulators in major markets to impose significant health-driven excise increases. **Sales:** Loss of sales to new to world brands and the no and low segment, each year across the three-year period. **Profit:** Increase in excise tax, and the introduction of a health tax across the globe, leading to a reduction in profit.	Regulation, trade barriers and indirect tax Consumer disruption
Climate change and natural hazard	Increasing global temperatures impact our ability to make products due to constrained water supply, leading to a rotational short-term shutdown occurring across some of our water-stressed sites. Climate change drives increasing costs of raw materials, while the acceleration of taxation against carbon use increases our operational costs. Extreme weather events occur more frequently, impacting our supply facilities, causing production outages. The assumptions associated with this scenario are based upon our TCFD scenario modelling, and applied to a three-year period. **Sales:** Loss of sales due to operational outages as a result of ceasing of production at water-stressed sites, and the impact of extreme weather events. **Costs:** Increased carbon tax per tonne, and cost of raw and packaging materials increases overall costs of goods.	Climate change and sustainability Supply chain disruption Pandemic and business interruption
Combined scenarios	The highly unlikely event of the combination of all of the above scenarios occurring at the same time.	

Management has prepared cash flow forecasts which have also been sensitised to reflect severe but plausible downside scenarios, taking into consideration the group's principal risks. In the base case scenario, management has included assumptions for mid-single digit net sales growth, operating margin improvement and global TBA market share growth. In light of the ongoing geopolitical volatility, the base case outlook and plausible downside scenarios have incorporated considerations for a slower post-pandemic economic recovery, supply chain disruptions, higher inflation and further geopolitical deterioration. Even under these scenarios, the group's cash position is still expected to remain strong, as the group's liquidity was protected by issuing €1,650 million of fixed-rate euro and £900 million of fixed-rate sterling denominated bonds, in the year ended 30 June 2022. Mitigating actions, should they be required, are all within management's control and could include reductions in discretionary spending, such as acquisitions and capital expenditure, as well as a temporary suspension of the share buyback programme and dividend payments in the next 12 months, or drawdowns on committed facilities. Having considered the outcome of these assessments, the Directors are comfortable that the company is a going concern for at least 12 months from the date of signing the group's consolidated financial statements.

Conclusion

On the basis described above, the Directors have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.