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Whitbread PLC
09 May 2014

Whitbread PLC

Annual Report and Annual General Meeting

09 May 2014

The Company announces that copies of its 2013/14 Annual Report and Accounts, Notice of Annual General Meeting and Form of Proxy, together with letters from the Chairman relating to such documents, have been submitted to the UK Listing Authority National Storage Mechanism and will shortly be available for inspection at www.Hemscott.com/nsm.do.

The Company's Annual General Meeting will be held at Church House Conference Centre, Dean's Yard, Westminster, London SW1P 3NZ on Tuesday 17 June 2014 at 2.00 pm.

The above documents can also be downloaded from the Company's website at www.whitbread.co.uk.

In accordance with the requirements of Rule 4.1 and Rule 6.3.5 of the Disclosure Rules and Transparency Rules of the UK Financial Conduct Authority, the Appendix to this announcement contains a description of the principal risks and uncertainties affecting the Group and a responsibility statement.

The Company's Preliminary Results for the financial year to 27 February 2014 were announced on 29 April 2014.

Enquiries:

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APPENDIX

1. Risk Management

Effective risk management is vital to the successful delivery of Whitbread's strategy and helps us create legendary brands across all of our businesses. The principal risks to the achievement of our strategy have been identified.

	Risks linked to strategy
Winning Teams	· Health and safety risks · Management retention
Customer Heartbeat	· Health and safety risks · Reputational risk · Market risk
Profitable Growth	· Financial risk · Third-party risk · Operational risk
Good Together	· Food provenance

Structure

Whitbread's approach to risk management has been reinvigorated this year, with additional focus being placed on ensuring there is a consistent methodology used across each business.

Both Whitbread Hotels & Restaurants and Costa maintain risk matrices aligned to their own business model. These matrices analyse the risks to the achievement of each business's strategic goals and prioritise those risks using a four level impact and likelihood scale.

The matrices, together with the detailed risk registers containing current controls, mitigating actions and planned future actions, are reviewed on a regular basis by the management board of each business. The outputs of the process carried out by the businesses form the basis of the risk matrix for the Group. In addition a top-down risk assessment exercise is conducted, to capture the Board's views on the principal risks facing Whitbread.

The most significant business-level risks are included in the Group risk matrix, together with other risks identified by the Executive Committee. The Group risk matrix is reviewed on a quarterly basis by the Board and annually by the Audit Committee.

The process:

- identifies risk to the achievement of strategy;
- assesses risks based on the impact and likelihood of a risk occurring on a gross (before taking controls and mitigating factors into consideration), net (post control and mitigation) and target basis;
- outlines key controls and mitigating factors;
- assigns a risk owner to each risk; and
- ensures that risks, controls and mitigating factors are reviewed quarterly and updated as necessary.

The risk and control matrices form the basis of the annual assurance plan, which provides for the independent testing of controls and mitigating actions by NSF (an independent health and safety auditing company), the Company's internal control evaluation process or PwC as part of the operational audit programme.

The current status

In total, there were 16 risks (2013: 21 risks) identified on the Group risk matrix considered by the Audit Committee in March 2014. After taking account of the controls and mitigation plans the Audit Committee and the Board considered that six of the risks would be either unlikely to occur or would have a low impact. For this reason, these risks have not been categorised as principal risks.

The ten principal risks identified, together with a summary of controls, mitigation and assurance plans are summarised below. None of these risks are considered to have a high likelihood of occurring after taking account of controls and mitigation. The new risks included since last year's report include the potential for death or serious injury as a result of Company negligence, the inability to operate the Costa roastery for an extended period and two information systems risks relating to the Premier Inn booking system and the ineffective implementation of a major systems upgrade.

Principal risks

Risk	Mitigation controls	Monitoring and assurance	Current trend
Health and safety risk: death or serious injury as a result of Company negligence.	Expertise of the Whitbread safety and security team. External risk engineering programme. Extensive health and safety policies and training.	NSF, an independent company, carries out health and safety audits on every site. Health and safety is a hurdle on the WINcard. Regular updates are provided to the management boards and to the Board.	Stable
Health and safety risk: serious health or provenance issue relating to food.	The expertise of members of the procurement, food development and safety and security teams. Stringent food safety policies and a detailed sourcing policy. New traceability and testing requirements introduced in respect of meat and other products. Focus on predicting other potential issues in the supply chain.	NSF, an independent company, carries out regular audits on all suppliers to measure their performance against a range of health and safety standards. Health and safety is a hurdle on the WINcard. Regular updates are provided to the management boards and to the Board.	Stable
Market risk: improvement in competitor financial health and/or competitor activity results in a loss of market share.	Actions to outperform the competition are developed on a strategic and tactical basis. Significant customer research is carried out. The customer insight received is used to develop action plans. Consumer trends, both in the UK and overseas, are analysed and competitor activity is monitored. Monthly reports are produced by each business for the Board.	Relative market share information and timely trading performance data is produced and monitored by the executive teams and the Board.	**Premier Inn** Improving **Restaurants** Improving **Costa** Stable

Financial risk: significant increase in the pension scheme's actuarial and/or accounting deficit resulting in higher pension contributions or the re-rating of the Company's credit.	The Company's defined benefit pension scheme is closed to new members and, for future service, to existing members. The Pension Investment Committee and its advisers, as well as the internal pensions team, have significant expertise in the area and provide good quality oversight. The investment strategy has been designed to reduce volatility and risk and hedging opportunities are utilised as appropriate. The Finance Director attends Pension Investment Committee meetings.	The Pensions Director and the external pensions advisers to the Company report regularly to the Board on the funding level and investment strategy of the fund.	Stable
Third-party risk: third-party failing and consequently breaching the terms of a significant contract or giving rise to a privity of contract claim.	Credit control checks are carried out on parties to significant contracts, along with the continued auditing and monitoring of those contracts. Regular reviews are carried out on the potential for privity of contract claims and, when they are received, all efforts are made to lessen the financial liability through negotiation with the landlord or sale of the lease.	Asset management team and credit controllers monitor risks. There is a regular review of the debtors' registers by the management boards. Financial controllers review status at half and full-year.	Stable
Operational risk: loss of, or failure to attract, key employees.	It is important that the Company continues to offer key employees appropriate levels of reward and recognition in order to retain them. The Company's programme of development and talent planning delivers a strong succession plan.	The Group HR function monitors the number of key employees leaving the Company and conducts exit interviews to understand the reasons. Succession plans are reviewed regularly.	Stable
Operational risk: inability to operate the Costa roastery for more than one week.	Long standing and experienced workforce. Contingency plan, including for coffee to be roasted elsewhere if required.	Regular testing of contingency plan. Independent risk engineering report provided.	Deteriorating

Information systems risks: · disruption to the business due to ineffective implementation of a major systems upgrade or installation; · data security breach resulting in the loss of, or improper access to, customer or confidential data; or · failure of the Premier Inn booking system.	The expertise of the IS team in protecting the systems and network. IS security training has been delivered to employees. Third-party expertise is utilised as appropriate. Legal advisers monitor new legislation and advise the IS team.	Systems are continually monitored for irregular activity. Operational audit reviews. The disaster recovery plans are reviewed by the Audit Committee. Regular reporting of information security issues to management.	Stable

2. Directors' responsibility for the consolidated financial statements

Responsibility statement

The directors are responsible for preparing the strategic report (including the Corporate Governance Report) and the directors' remuneration report in accordance with the Companies Act 2006 and applicable regulations, including the Listing Rules and the Disclosure and Transparency Rules.

The directors are responsible for the maintenance and integrity of the Annual Report included on the Group's website, in accordance with the UK legislation governing the preparation and dissemination of financial statements. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors, whose name and functions are disclosed on pages 46 and 47 of the Annual Report and Accounts, confirms that, to the best of their knowledge:

· the consolidated financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and result of the Group; and
· the strategic report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

The directors are responsible for preparing the Annual Report in accordance with applicable law and regulations. Having taken advice from the Audit Committee, the Board considers the Report and consolidated financial statements, taken as a whole, to be fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

Andy Harrison Nicholas Cadbury
Chief Executive Finance Director

28 April 2014

This information is provided by RNS
The company news service from the London Stock Exchange

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