



Beyond the Horizon

Kerry Group Annual Report 2020



Kerry Group is the world's leading Taste & Nutrition Company, serving the food, beverage and pharmaceutical industries, and is a leader in its consumer foods categories in the chilled cabinet.



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Our Performance in 2020

In a unique year that saw the entire globe impacted, the resilience of our business was highlighted in our performance. Our culture and our Purpose, Inspiring Food, Nourishing Life was demonstrated through the actions of our people, and we emphasised our role as our customers' most valued partner, creating a world of sustainable nutrition.

FINANCIAL PERFORMANCE MEASURES

Group Revenue



Trading Profit



Net Cash from Operating Activities



Basic EPS



Total Dividend Per Share



Business Volumes¹



Group Trading Margin¹



Free Cash Flow¹ (cash conversion percentage)



Constant Currency Adjusted EPS¹



Return on Average Capital Employed¹



NON-FINANCIAL PERFORMANCE MEASURES

Consumers Reached with Positive and Balanced Nutrition²

1.0 billion

Carbon Reduction²

17% absolute reduction

TOTAL SHAREHOLDER RETURN

+7.4% (2019: +29.3%)

¹ See Key Performance Indicators section pages 30-31 and the Supplementary Information section page 231 for definitions, calculations and reconciliations of Alternative Performance Measures

² See Sustainability section pages 46-70 for further information on non-financial metrics

Our Purpose and Vision

Inspiring Food, Nourishing Life

Over one billion people around the world enjoy food and beverages containing Kerry's taste and nutrition solutions, allowing us to make a lasting difference as we dedicate ourselves to making the world of food and beverage better for everyone.

Our Purpose, Inspiring Food, Nourishing Life, is the reason we come to work every day and key to why our customers choose to partner with us. It is engrained in our organisation, and coupled with our Values, enables us to make the right decisions, to take ownership, and to help drive the business forward. We inspire food and nourish life through our people, our products, and our commitment to protecting the planet.

Inspiring Food is about innovation. It is about co-creating better tasting, better performing and better-for-you consumer led solutions for the food and beverage industry with our customers and partners.

Nourishing Life is about sustainability for people, society and the planet. It's about the wellbeing of our employees as well as the safety and quality of our products that provide balanced nutrition solutions to the lives of over one billion people around the world, without compromising our planet's finite resources.

[Read More →](#)

[Sustainability Review](#)
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Our Values



Courage

We're brave, we speak up and we inspire each other to get the best results.



Ownership

We're accountable and we care about the business as if it were our own.



Inclusiveness

We're welcoming, we are authentic and we see strength in diversity.



Open-mindedness

We're curious, we innovate and we believe in possibility.



Enterprising Spirit

We're bold, we think big picture, we add value and we grow.

Our Vision

Our Vision is to be our customers' most valued partner, creating a world of sustainable nutrition.

Achieving sustainable nutrition for two billion people by 2030 is an ambitious target, and to mark our commitment to this, our *Beyond the Horizon* sustainability strategy outlines how we are rising to the challenge, feeding a diverse and growing population, with affordable, sustainable solutions that delight and nourish people worldwide.

Future Focused

In 2020, uniting under one purpose and one vision, we launched our refreshed brand identity, symbolising the importance of our from-food-for-food heritage, while bringing together all divisions of our business under a unique marque representing one Kerry – a future focused and truly international organisation, with sustainability at its core. Simplifying our corporate identity plays an important role in making it easier for employees and customers to understand who we are, what we stand for and where we are going. Importantly, this is not a new direction for Kerry, and our strategy remains firm. From Kerry's earliest beginnings, we have been at the forefront of innovation, research and sustainability, continuously adapting while staying true to our roots. This refreshed brand, guided by our Purpose, reflecting our Vision, and underpinned by our Values, positions Kerry for the future, enabling our people and our customers to stay ahead.



Kerry Group at a Glance

We are the world's leading taste and nutrition company, providing sustainable nutrition solutions for the food, beverage and pharmaceutical industries.

26,000+

Employees

149

Manufacturing locations
across 31 countries

18,000+

Products, with >80% providing
positive and balanced nutrition

1,000+

R&D Scientists

>1 billion

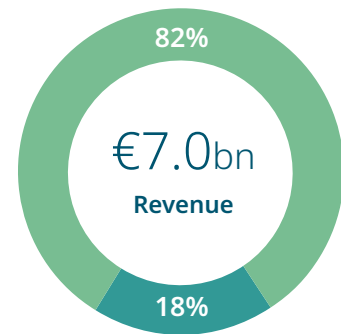
Consumers reached with
Kerry products

AA

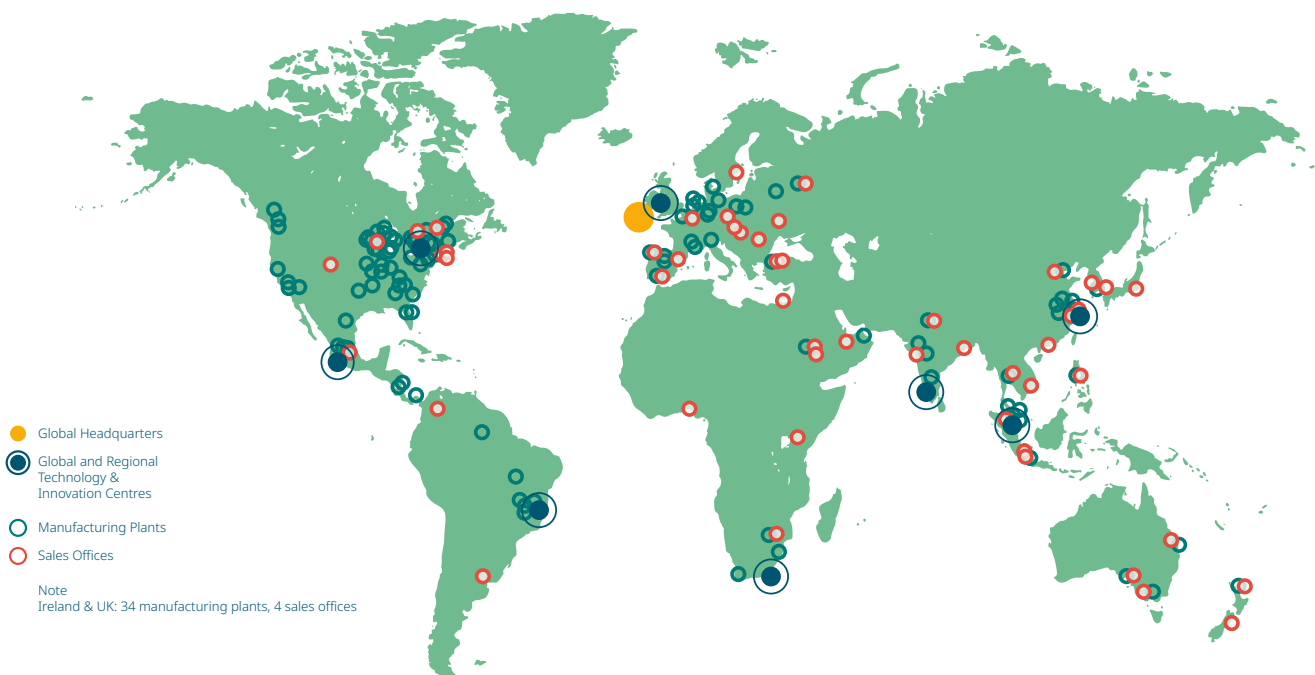
MSCI ESG Rating

Our Business

● Taste & Nutrition
● Consumer Foods



Where We Operate

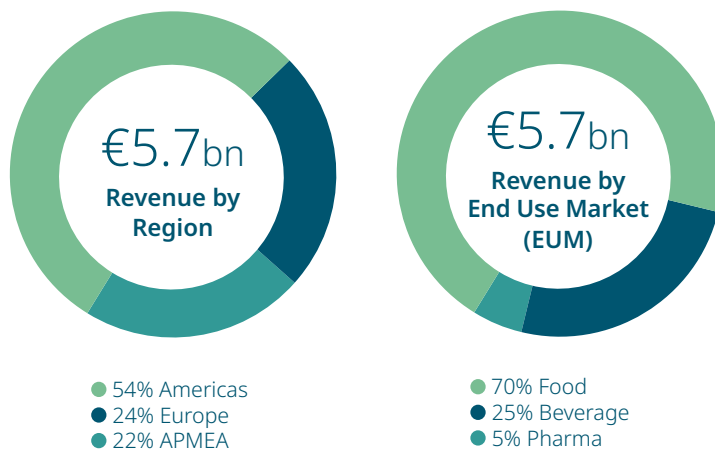


Taste & Nutrition

Kerry is the global leader in the development of taste and nutrition solutions for the food, beverage and pharmaceutical markets. Our broad technology foundation, customer-centric business model, and industry-leading integrated solutions capability mean Kerry is the co-creation partner of choice.

We aim to be our customers' most valued partner by delivering food and beverage products that meet their consumers' individual taste, nutrition and wellness preferences, while enhancing their lives and contributing to a more sustainable world. Customers including global, regional and local manufacturers, retailers and foodservice providers all continue to re-evaluate the recipes, processes and the ingredients they use in the development of their products. We use our broad range of taste, nutrition and functional ingredient technologies, combined with industry-leading solutions capability to create innovative new products with our customers across all food and beverage end use markets.

We inspire food and nourish life through the passion, commitment and work of our global team of expert food scientists, chefs, baristas, brewers, mixologists, bakers and nutritionists. We know that success requires the ability to stay ahead of ever-changing consumer demand.



Strategic Developments in 2020



Strategic development of Rome, Georgia facility



Opening of new centre in Shanghai, China



Acquisition of Tecnispice, Guatemala

Consumer Foods

Kerry's Consumer Foods division is a leader in its categories in the chilled cabinet, primarily in the UK and Irish markets.

We have many strong and well-loved brands including Dairygold, Richmond, Fridge Raiders, Cheestrings and Denny. These brands can be found across our retail partners in supermarkets, service stations, convenience stores and entertainment venues the length and breadth of the UK and Ireland. In addition to these brands, Kerry's Consumer Foods division also manufactures customer branded products, which can be found in leading supermarket chains.

Chairman's Statement

Kerry's response to COVID-19 has been truly inspirational and testament to the strength of its purpose, values and culture.

Philip Toomey
Chairman



Overview

This year has seen exceptional challenges with COVID-19 significantly affecting the daily lives of people all around the world. The individual and collective responses of people, communities and businesses have been remarkable in the face of such adversity. Kerry's own response to the pandemic has been truly inspirational and testament to the strength of its purpose, values and culture. The Board received regular updates throughout the year from Executive Management on how COVID-19 was impacting on the Group's employees, strategic priorities, operations and financial performance.

The Group's actions through this period focused on three main priorities:

- Protecting the health and wellbeing of employees with measures including remote working, segregation and zoning, increased sanitisation and screening;
- Supporting our customers and ensuring continuity of supply with supply chains challenged, Kerry helped ensure food products continued to reach consumers; and

- Supporting our local communities in a multitude of ways from donating PPE, sanitiser and food, to pledging 26,000 volunteer days and €1 million through the MyCommunity Initiative.

The pandemic has led to significant disruption for virtually every global business. While Kerry's performance in the foodservice channel was most impacted, the Group demonstrated its resilience by delivering overall revenue of €7.0 billion, trading profit of €797m and free cash flow of €412m in 2020.

Strategic Update

Good progress was made on the strategic front, with the acquisitions of Tecnispace, S.A. in Guatemala, Bio-K Plus International Inc. in Canada and Jining Nature Group in China completed during the year for a total consideration of €280m. These acquisitions further enhance Kerry's integrated solutions capability, while also expanding the Group's footprint and leading position in developing markets.

The Board is confident that Kerry's strategic priorities for growth will continue to be the key drivers of organic growth and acquisition investment in the future.

Sustainability

In October 2020, Kerry launched its 2030 sustainability strategy *Beyond the Horizon* along with a refreshed brand identity, reflecting the evolution of the business, as Kerry continues to meet the changing needs of both customers and consumers. *Beyond the Horizon* will see Kerry work with customers to promote healthier and more sustainable diets, aiming to reach over two billion people by 2030.

The range of ambitious science based targets announced will address key impacts across the areas of nutrition and health, emissions, energy, circular economy, raw materials and social impact. The combination of achieving these targets in conjunction with Kerry's leading innovation with its customers will mean a better impact for people, society and the planet. Details of the Group's sustainability strategy are outlined in the Sustainability Review on pages 46-70.

Corporate Governance

The Board is firmly committed to maintaining the highest standards of corporate governance in line with best practice.

During the year, the Remuneration Committee undertook a review of the Executive Directors' Remuneration Policy as part of the three-year review cycle. The updated Remuneration Policy has incorporated structural changes in line with best market practice and will be put to an advisory vote at the 2021 AGM.

During 2020, the Board expanded the role of the Nomination Committee to provide guidance and oversight of the implementation of the Group's sustainability strategy. The Nomination Committee was renamed the Governance, Nomination and Sustainability Committee and its Terms of Reference were updated to reflect its additional responsibilities.

Board Changes

James C. Kenny retired from the Board following the Company's Annual General Meeting on 30 April 2020. On behalf of the Board, I would like to thank James for his contribution and service to the organisation.

I am delighted to welcome Emer Gilvarry and Jinlong Wang who joined the Board as non-Executive Directors on 1 November 2020 and 5 January 2021 respectively. Emer is a highly experienced professional who brings legal, business and corporate governance expertise to the Board. Jinlong is an experienced leader with over 30 years' experience in global business development, consumer branding and general management. His in-depth understanding of Asian markets, coupled with his extensive knowledge of the Food & Beverage industry, brings a key set of skills to the Board. I look forward to both of them making significant contributions to the Board in the years ahead.

Purpose and Values

Our Purpose, Inspiring Food, Nourishing Life, and our Values of Courage, Ownership, Inclusiveness, Open-mindedness and Enterprising Spirit are core elements of The Kerry Way framework. During 2020, the Board continued to ensure that management promote our purpose and values as a guide to our employees in the way we do business.

The response of our people during the COVID-19 pandemic demonstrated how our purpose is fully embedded in how we do business and will underpin and sustain the Group's evolution in the years ahead.

People and Engagement

Central to Kerry's continued success is the hard work and commitment of all our employees. The Board is proud of the response of our employees to the challenges faced during the COVID-19 pandemic. The creativity and resilience demonstrated, in adapting to the challenging and changing conditions, combined with continuity of supply and innovation, is the single largest contributor to Kerry successfully navigating the challenges associated with the pandemic.

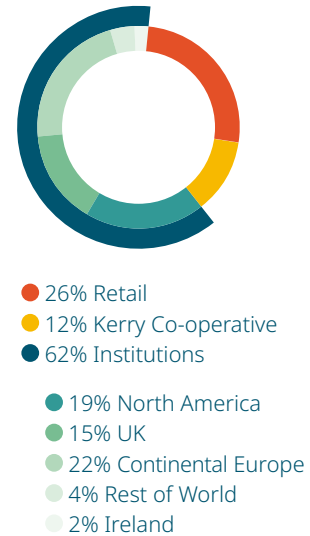
The Board also recognises the importance of employee engagement to the success of the Group and is continuously developing its engagement activities. During 2020, Mr. Tom Moran, the designated workforce engagement Director, undertook a detailed programme of activities where he had the opportunity to visit sites, engage with a range of employees, participate in employee events and obtain a first-hand view of how Kerry responded to the COVID-19 pandemic. While some events were completed in person in quarter one, all activities from March onwards were held virtually. Details of employee engagement activities during the year, including the work undertaken by the designated workforce engagement Director, are outlined in the Corporate Governance Report on pages 94-106.

Dividend

The Board recommends a final dividend of 60.6 cent per share (an increase of 10.0% on the 2019 final dividend) payable on 14 May 2021 to shareholders registered on the record date 16 April 2021.

Together with the interim dividend of 25.9 cent per share, this brings the total dividend for the year to 86.5 cent, an increase of 10.1% on 2019.

Shareholder Analysis



Prospects

The Board remains confident that the Group's business model and strategies will continue to deliver shareholder value and benefit our other stakeholders in the years to come. Kerry will continue to pursue organic and acquisitive growth opportunities and the Group's balance sheet is well placed to support our objectives. While recognising that the COVID-19 pandemic will continue to impact all businesses in 2021, we welcome the greater clarity from the recent Brexit trade deal and look forward to another successful year. The view of management regarding the business outlook for 2021 is presented in the Chief Executive Officer's Review.

COVID-19 has made the task of leadership significantly more challenging. On behalf of the Board, I would like to sincerely thank Edmond and the Executive Management team for their exceptional leadership and thank everyone throughout the organisation for their hard work and commitment during this most challenging of years.

Philip Toomey
Chairman
15 February 2021

Chief Executive Officer's Review

The strength and ingenuity of our people, combined with the proactive nature of our business model have been key drivers of our recovery, and I am immensely proud of Kerry's response to the pandemic.

Edmond Scanlon
Chief Executive Officer



This year has been truly unprecedented due to the COVID-19 pandemic, and I am extremely grateful for the tremendous efforts of our people throughout the year in supporting our customers and local communities, aligned to our Purpose, Inspiring Food, Nourishing Life.

At the beginning of the year we closely monitored developments in China, and the decisive action we took was crucial in ensuring the safety of our people and their families. In January, we set up our global COVID-19 Taskforce, a critical step in ensuring we were proactive in addressing the various challenges posed by the pandemic as it spread globally.

Across the business, our people faced these challenges with strength and ingenuity. Their adaptability was tested, as work practices changed almost overnight. Their courage was vital in ensuring that Kerry played an important role through this period of crisis in our industry and within our communities. The strength of our global supply chain was instrumental in ensuring food and beverage products continued to reach consumers. The enterprising spirit of our teams in supporting our customers was displayed in a variety of ways. This included sharing our COVID-19 safety playbook with customers to ensure their operations were not compromised, supplying PPE and sanitiser, providing insights on developments in product categories, and adapting the innovation process for virtual collaboration with many products launched at record speed. These examples highlight the resilience and proactive nature of Kerry's business model, as we continue to strive to be our customers' most valued partner.

In addition to these efforts, we supported our local communities throughout, by leading support initiatives with vulnerable groups, volunteering, and making donations of food, PPE, and sanitiser to local frontline staff.

I am immensely proud of Kerry's response to the pandemic and would like to thank everyone for their extraordinary efforts throughout.

Market

This year has seen major changes in the daily lives of consumers across the globe, with purchasing and consumption behaviours significantly disrupted, leading to a much more dynamic marketplace. At-home consumption has been elevated, as consumers adapted to changes in daily routines and work practices. The foodservice channel has been significantly impacted due to restrictions on operations and consumer mobility, leading to increased demand for online and delivery. Our foodservice business was most impacted in the second quarter, as many of our customers were closed for extended periods, with performance significantly improving through the year as they adapted their offerings to cater for the changing marketplace.

The COVID-19 pandemic has served to accelerate the key trends that were on the rise at the beginning of the year, with increased demand for health and immunity enhancement, plant protein options, and products addressing a diverse range of sustainability

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criteria. Customers are increasingly focusing on sustainability as an enabler of growth, leading to significant opportunity for Kerry and our differentiated portfolio of sustainable nutrition solutions. As customers adapt to this dynamic operating environment, product portfolios and menu offerings continue to be evaluated, with new product development strategies focused on these rapidly changing consumer demands. These dynamics are leading to significant challenges and opportunities across the industry.

Strategic Developments

We made good progress across a number of strategic fronts in the year despite the challenges posed by COVID-19. We moved into our new Technology & Innovation Centre in Shanghai earlier in the year, while continuing to make good progress in expanding our capacity and deploying our technologies in the APMEA region. We commenced the strategic development of our Georgia, US operation, which is an important step in creating a state-of-the-art facility to meet the increasing demand for integrated solutions across a variety of protein applications.

We enhanced our proactive nutrition capabilities through the acquisition of Bio-K Plus International Inc., a leading biotechnology company, with a number of probiotics in beverage and supplement applications in Canada. We also enhanced our local taste capabilities in APMEA and LATAM through the acquisitions of Jining Nature Group in China and Tecnispace, S.A. in Guatemala, both of which are leaders in savoury taste in their respective markets. We made good progress in enhancing our portfolio of food protection solutions, with the 2019 acquisitions of Biosecur and Isoage complementing our industry-leading capability and enhancing our ability to further extend the shelf life of products through our range of natural sustainable solutions.

Following the successful completion of our Towards 2020 programme, we refreshed our sustainability strategy to reflect the changing marketplace and the increased demand for sustainable food and beverage products. Our goal of reaching over two billion people with sustainable nutrition solutions by 2030, combined with our range of science based targets demonstrate how sustainable innovation and co-creation will be central to Kerry's growth strategy in the coming decade and beyond.

In the year, net capital expenditure amounted to €311m (2019: €315m) and research and development expenditure was €282m (2019: €291m). We continued to invest under our strategic priorities for growth and allocated resources to key growth areas that have accelerated through COVID-19, in particular the areas of health and wellness, plant protein and natural preservation.

Results

Group revenue of €7 billion reflected a reported decrease of 4.0%, with an overall volume reduction of 2.9% in the year. This performance reflected a strong recovery since April with a return to volume growth of 2.2% in the fourth quarter. The Group reported trading profit of €797.2m (2019: €902.7m). Group trading margin decreased to 11.5% as a result of significant operating deleverage and COVID-related costs partially offset by cost mitigation actions, with significant recovery in business margins across the second half of the year.





Business Performance

Taste & Nutrition had a reported revenue decrease of 4.4%, reflecting a volume decrease of 3.0%. Good volume growth of 3.8% in the retail channel was more than offset by the volume reduction of 19.0% in the foodservice channel, where restrictions on movement were introduced and customers were closed for extended periods of time.

Our performance in the foodservice channel significantly improved through the year, recovering from April when the impact was most pronounced. This was led by North America, where operators adapted quickly to changes in regulations, followed by a similar recovery in Europe and APMEA over the course of the year.

In the retail channel, our performance in the Americas was strong, led by Beverage, Dairy and Meals. Europe delivered good growth in Beverage, Snacks and Meat, while APMEA continued to progress through the year and achieved excellent growth in Snacks and Dairy.

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Strong growth achieved in Nutrition & Wellness in particular through proactive health and immunity-enhancing solutions.

Consumer Foods had a reported revenue decrease of 2.1%, reflecting a volume decrease of 2.6%, as underlying volume growth of 2.2% driven by good growth in snacking and strong performances across our plant-based ranges was more than offset by the impact of the ready meals contract exit in the prior year.

Future Prospects

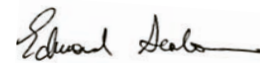
The scale and pace of change seen over the last 12 months has led to customers fundamentally reassessing their portfolios, ways of working and business models. This has created an environment where customers are more open to change and are looking for partners to help them pivot at pace, to address both short term challenges and opportunities, while also allowing them to target more meaningful, purposeful, step change innovations as they look out into the future. Sustainability, localisation, speed to market and innovation process agility have been elevated in importance as customers strive to win market share.

Against this backdrop, Kerry's proactive approach and co-creation business model is ideally placed to support customers through these changing market dynamics.

Looking to the year ahead, within Taste & Nutrition, we see strong growth prospects in the retail channel, with continued recovery in foodservice, underpinned by a very good innovation pipeline and strong customer engagement.

Our Consumer Foods business has a good growth outlook supported by continued innovation and the strength of our brands.

We will continue to invest for growth and enablement of our business model, while continuing to pursue M&A opportunities aligned to our strategic growth priorities. Kerry's unique business model, broad taste and nutrition portfolio and industry-leading integrated solutions capabilities are more critical than ever, as we support our customers through this dynamic environment.



Edmond Scanlon
Chief Executive Officer
15 February 2021

Plant-based offerings continue to deliver excellent growth and business development, with the strength of our Radicle™ portfolio a key strategic advantage for Kerry with our customers



Our People



The strength and ingenuity of our people, combined with the proactive nature of our business model have been key drivers of our recovery, and we are immensely proud of Kerry's response to the pandemic.

Our Culture: **Building a Sustainable Future**

At Kerry, our purpose-led strategy is brought to life through our people. We leverage our diverse, entrepreneurial and results-focused culture, talent and expertise to enhance the lives of others, accessing our industry-leading taste and nutrition capabilities to develop sustainable food and beverage solutions that offer new growth opportunities for our customers.

Around the world, our 26,000+ people represent 121 nationalities, working across 160+ locations globally, and spanning 31 countries. Staying true to our purpose has never been more important than during 2020; our people have demonstrated extraordinary levels of agility, compassion and resilience through challenging circumstances to do the right thing by each other, for our customers, our shareholders, our communities and our planet.

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We leverage our diverse, entrepreneurial and results-focused culture, talent and expertise to enhance the lives of others.

We strive for excellence in the delivery of our core business capabilities and differentiate ourselves as an organisation through our people. We think and act with a Safety First, Quality Always mindset and focus on enabling our people to make it easier and more valuable for our customers to do business with Kerry. We hold ourselves to the highest standards of business and ethical behaviour in everything we do (for details of our Code of Conduct and approach to Safety in the Workplace please see Sustainability Review on page 58).

Empowering and enabling our people is fundamental to our groupwide approach to people leadership. We strive to build an inclusive workplace where all our people are inspired to learn together to grow our business and fulfil their potential; winning for our customers and for Kerry. Our leaders are committed to fostering a great place to work, where our people are engaged in meaningful work that is connected to our purpose and can contribute fully to our shared success.

Our Purpose, Inspiring Food, Nourishing Life underpins our culture. It is reflected in our values and our people practices – from who and how we attract talent, to recognising inclusive behaviours and rewarding performance, to how we develop our people, and how we play our role in society, supporting the local communities in which we live and work through volunteering and other charitable initiatives.

26,000+

People

121 31

Nationalities

Countries

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Our Purpose and Vision
Pages 4-5

Our Values: Nourishing our Culture

Our Values of Courage, Ownership, Inclusiveness, Open-mindedness and Enterprising Spirit guide us as we live our Purpose. They describe our culture and serve as our behavioural compass, keeping us on the right path toward our purposeful destination.



Courage



Ownership



Inclusiveness



Open-mindedness



Enterprising Spirit

Refreshed in 2019, they unite us across cultures and geographies and help us to earn the trust and respect of our people, our customers and communities, having been further embedded into our everyday activities during 2020.

This year our people have truly felt the power and importance of our values in guiding our decisions and actions in unprecedented circumstances; from our unyielding focus on employee safety, health and wellbeing as we continued to fulfil our critical role in the global food supply chain throughout 2020; to how teams across the organisation were empowered to make the right decisions at pace in a volatile environment to support and meet rapidly changing consumer and customer needs; to how we pivoted our global learning and development support for our people in a new and virtual world; and to our unfailing commitment to our local communities through our MyCommunity global volunteering and charity funding initiative.

Our purpose and values-led culture is core to why our people want to grow, perform and make a positive difference in Kerry, and enables us to attract and retain the best talent in our industry. Our people are passionate about what we do, and about their role in driving sustainable growth and performance. They go the extra mile because they care deeply about Inspiring Food and Nourishing Life.

Enhancing our Employee Experience: Winning and Growing Together

The engagement of our people is a key priority and a key lead indicator of our future sustainable growth and performance. We invest in continually building the engagement capabilities of our people leaders as champions of a healthy listening culture focused on continuous improvement, and every year we pulse-check on the progress we are making, where and how we can continue to improve. This year, we were delighted that 86% of our people participated in our third groupwide engagement survey to identify areas of strength and areas for continuous improvement within our business, an increase of 1% on 2019. Our unwavering focus on our customers and our Safety First, Quality Always mindset remains a clear area of strength for Kerry and we saw a significant uplift in our global engagement priorities for improvement: Leadership, Simplification and Career development.

Our three global engagement priorities remain a focus for 2021, along with continued enhancement of our approach to Reward and Recognition. We will continue to monitor our progress through ongoing dialogue with our leadership teams, our people and through targeted pulse surveys during 2021.

Finally, in 2019 the Board appointed Mr. Tom Moran, non-Executive Board Director, as our designated workforce engagement Director to ensure the Board adequately take into consideration the interests and views of our people in their decision making. Despite the challenges that COVID-19 presented, Mr. Moran was able to follow an active and participative employee engagement plan with a cross-section of employees from across the Group throughout 2020, reporting back to the Board and other executives on his observations and recommendations.

Throughout 2020 we continued to focus on these three priorities as follows:

Leadership

Our focus has been on improving how our leaders engage and collaborate in a consistent way, how we lead and role model by living our values consistently every day. Since the 2019 survey, we have ensured that all people leaders have an annual 'people leadership' goal in their objectives, accounting for at least 15% of their overall performance assessment. From our 2020 survey, we have seen an improvement in feedback that our leaders are taking the necessary actions to position the company for long-term success, providing a clear vision of what Kerry is trying to achieve, and generating excitement about the future of the business.

Simplification

Many of our people have shared what they are doing to make things easier for our employees and for our customers to do business with us. From putting in place a portal for collaboration with our customers, to establishing a regulatory self-service documentation platform, to improving our standard product portfolio and sample turnaround time – these examples show the progress we are making to simplify our business and continue to transform for the future. Our employees believe our organisational structures are helping us to achieve our goals and feel that they have appropriate influence in decision making, contributing their ideas to help shape our plans and achieve our vision.

Career Development

We aspire to be the first choice for the best talent – where everyone can fulfil their potential and have interesting and varied careers. Through our Management Effectiveness programme, we have a global standard for consistent team leadership, creating a better employee experience. This includes the expectation that all employees have meaningful one-to-one conversations about their performance and career potential. To date over 1,700 people leaders have participated in this programme. We have seen a significant improvement in our employees' belief that we are developing a workforce that adapts well to change and that we are actively supporting the learning and development of our employees.

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Diversity, Inclusion and Belonging: Fostering an Inclusive Workplace

We are keen to leverage our position and reputation in the industry to be a champion for positive change. In 2020 we demonstrated our commitment to promoting a diverse and inclusive workplace through fully embedding our Diversity, Inclusion and Belonging strategy within our sustainability strategy for 2030 – *Beyond the Horizon*.

As a global business, we appreciate and value the dynamic mix of people who bring new perspectives, experiences and thought leadership to enable our organisation to continuously grow and innovate for our customers. Our ambition is to build a highly inclusive workplace where everyone can be at their best, contribute to our success and excel personally and professionally. We will monitor our progress against this ambition through a newly established Inclusion Index, as part of our Employee Engagement Survey.

This relies on our leaders behaving inclusively, ensuring all voices are heard and that individual opinions and perspectives are visibly valued. During 2020, we sought to support our leaders in becoming more aware of their own potential biases and preferences, in actively seeking out and considering different views and perspectives to inform better decision making, inspiring improvements in individual and organisational performance. We will further build on this programme in 2021.

Whilst limited opportunities existed to bring our people together this year, we continued to rally our people behind a series of International Diversity Days such as International Day of Women and Girls in Science, International Women's Day and Pride. Our local Diversity, Inclusion and Belonging Committees are now firmly established in key locations, and have continued to flourish this year, actively educating and raising awareness of global and local issues, inspiring our people to come together to celebrate and promote this important agenda within our business.

Our ambition is to build a highly inclusive workplace where everyone can be at their best, contribute to our success and excel personally and professionally.

Externally, we continue to strengthen our strategic partnerships within Ireland and globally. This includes our partnership with the Women Foodservice Forum in North America, our membership of the Irish and United Kingdom Chapters of the 30% club, the Agri-Food Diversity & Inclusion Forum led by Bord Bia in Ireland and our membership of the Valuable 500 in the United Kingdom. We are challenging ourselves to do more to pathway employment opportunities for individuals with intellectual disabilities within our business and continue to nourish their potential through our renewed sponsorship of Special Olympics, with whom we have been partnering since 2018 across Ireland, Great Britain, Poland and more recently Germany, who will host the Special Olympics World Summer Games in 2023.

Finally, we are making progress on our journey to increase representation of women and improve cultural diversity within our senior leadership teams, improving on key measures agreed with our executives in 2019, endorsed by our Board. This will ensure our leadership teams and internal talent pools better reflect the broader mix of capabilities we have within our organisation. Our aim is to further strengthen our approach in 2021 through broader diversity goals incorporated within our sustainability strategy for 2030.

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Strengthening our Leadership and Talent Pipeline: Building for the Future

Talent is a key enabler of our growth ambition. At Kerry, we seek to partner with our talent, helping our people to fulfil their career aspirations whilst ensuring we have a ready supply of qualified expert and leadership talent to meet the current and future needs of the business.

In 2019 we refreshed our approach to Succession Planning and revised our Kerry Leadership Competencies, ensuring expectations of leaders in Kerry are fully aligned to our growth ambition; in the firm belief that the strength of our leadership capability is a significant lead indicator of our future business performance. In 2020 we further embedded Kerry Leadership Competencies into our core people processes including external recruitment and internal promotion processes to promote more informed and objective talent decisions.

Despite a challenging year, we have maintained a focus on strengthening the quality of our leadership team, making several key appointments as well as continuing to invest in building future leaders. Activities to accelerate succession readiness of identified talent have included participation in externally benchmarked assessments and internally led 360 feedback tools to better target leadership development plans, which have included individual coaching, mentoring and collective participation in certified business school programmes.

In addition, this year we encouraged all our people to take greater ownership of their careers by enhancing our talent management systems to make it easier to capture skills and experiences to improve alignment with opportunities for continued progression within our business.

As part of this process, we upskilled our people leaders, to give them the confidence and capabilities to engage in more meaningful career development conversations with their teams and provided comprehensive access to leadership and career development resources in one place, to enable all our people to grow both personally and professionally with Kerry.

While opportunities to offer international developmental assignments were limited due to global travel restrictions, we successfully supported over 150 strategic moves and relocations this year. Our dedicated Global Mobility team assisted through changing regulations and travel restrictions to enable our people take up business critical and key leadership roles to support our core business priorities, contributing their expertise to deliver on commitments made to customers, to our newly acquired businesses and teams globally, to our people and our communities.

Kerry's early careers programme is a core component of our strategy to strengthen our talent pipeline, providing opportunities for interns and graduates to develop skills and experience across a wide range of core disciplines, enabling longer-term sustainable leadership for the organisation.

In 2020 we consolidated our Graduate Programmes globally to create one unified approach. We updated our assessment processes to a fully virtual solution and are currently re-imagining developmental activities for our 2021 intake, ensuring Kerry remains competitive in today's graduate marketplace and is focused on building future ready leaders.

Rewarding and Recognising our People

In 2020 we began to implement initial recommendations from our Total Reward review completed in 2019. Our aim is to ensure that our reward programmes are positioned as one of the key levers of business performance, are appropriately aligned with the external market, and are delivered in a way which makes them more easily understood and appreciated by our people. This will continue to be a key focus for 2021 in response to feedback from our 2020 Annual Employee Engagement survey.

At Kerry, we believe Total Reward is about more than just pay and financial rewards. It encompasses career development, personal growth and access to worldwide opportunities in an inclusive culture where all our people can flourish. It supports us in being the first choice for the best talent by providing fair, competitive offerings which our employees' value and which drive an ownership mindset to achieve Kerry's success. Our programmes are designed to recognise and reward high performance while nurturing a healthy, diverse workforce by offering choice and flexibility, supporting our people and their families through different life and career stages. Our Wellbeing framework – focused on the pillars of Nutritional, Physical, Emotional and Financial health, provides access to several tools and resources, such as our global employee assistance programme, and this Wellbeing approach continued to play a critical role in our response to the emerging needs of our people during 2020.

At Kerry, we believe Total Reward is about more than just pay and financial rewards. It encompasses career development, personal growth and access to worldwide opportunities in an inclusive culture where all our people can flourish.

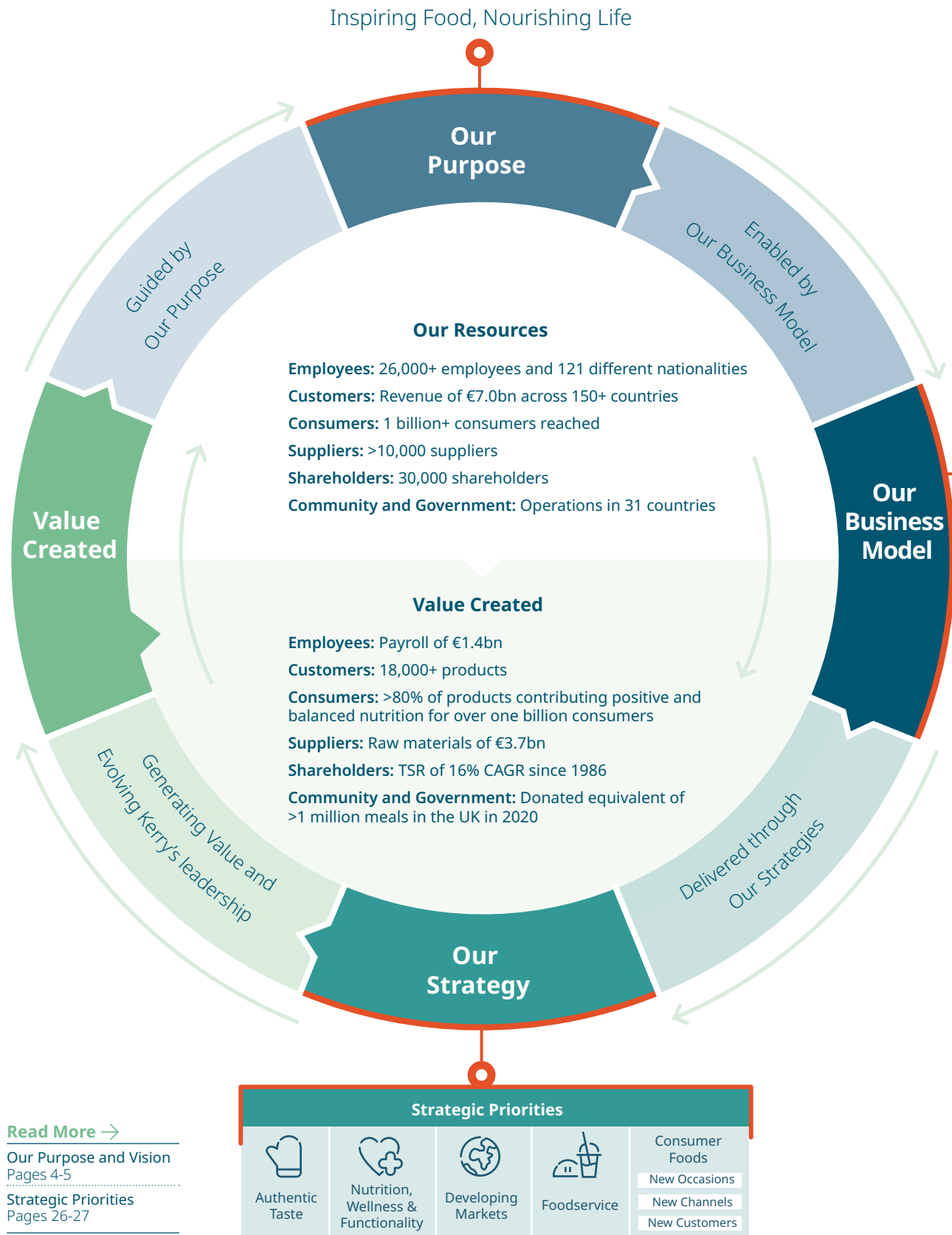
We are committed to gender pay equality and continue to proactively monitor the pay of male and female colleagues engaging in similar roles to ensure it is comparable. We appoint and promote based on merit and will continue to encourage the career development of all our people, paying attention to our promotion and recruitment practices with regards to gender, to support greater representation of women at all levels.

The Remuneration Committee has been kept updated on matters arising from the Total Reward review and subsequent implementation of initial recommendations in 2020.



How our Integrated Business Model creates Sustainable Value

Our Purpose, strategy and industry-leading business model are central to our circular approach to creating sustainable value for all stakeholders.

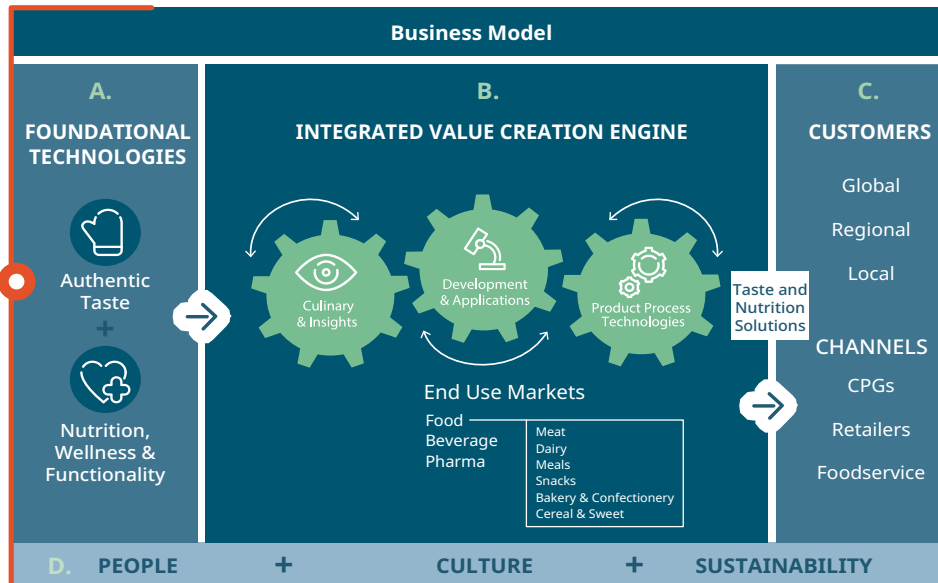


[Read More →](#)

Our Purpose and Vision
Pages 4-5

Strategic Priorities
Pages 26-27

Kerry's unique business model is the industry reference and customer preference.



A. Diverse Technology Portfolio

See pages 22-23.

B. Unique Integrated Value Creation Engine

This is where Kerry excels by deploying our global infrastructure across the entire product development cycle from ideation right through to product launch.

The three cogs of the engine comprise **Culinary & Insights**, which includes over 100 culinary experts and baristas in conjunction with our leading market insights teams, who work with customers on product discovery, ideation and concept creation phases; the **Development & Applications** teams, which include over 200 scientists who use Kerry's sensory, analytical and regulatory expertise to ensure every product meets consumer preferences; and **Product Process Technologies**, where our extensive understanding and process engineering expertise across 25 different process technology platforms, combined with Kerry's unique ability to develop finished consumer products distinguish us in the industry.

Kerry is the leading provider of integrated solutions, leveraging these interconnected capabilities to drive value for customers. Therefore, if a customer wants to bring a new product to market quickly or move into an adjacent category across the food, beverage and pharma landscape, Kerry is the co-creation partner of choice.

C. Unparalleled Customer and Channel Access

Kerry delivers customer solutions across a broad set of routes to market in both the retail and foodservice channels. Its diversified range of customers extend from global to regional and local leaders.

D. People, Culture and Sustainability

Kerry's business model is powered by our people, underpinned by our culture, with sustainability at the heart of everything we do.

[Read More →](#)

[Our People](#)
Pages 14-19

[Sustainability Review](#)
Pages 46-70

Our Technologies

1,000+

Scientists

22

Core
Technologies

25

Process
Technology
Platforms

33

End use market Development
and Application Centres
across the globe

Our Technology Strategy – Breadth | Depth | Integration

Our technology strategy is built on three principles: breadth of technology capability, depth and expertise within each of these technologies, and critically the integration of these technology capabilities to deliver unique and value-added solutions for our customers.

Our Leading Technology Offering

Kerry has built a leading technology offering over the past 30 years through a combination of investment in R&D, people, infrastructure and acquiring new technologies. We have over 1,000 scientists across a multitude of disciplines globally spanning food science, biochemistry, flavour science, engineering, to name a few. This extensive scientific expertise drives our 22 core technologies. It leverages our 25 process technology platforms and is brought to life for our customers through our 33 end use market development and application centres across the globe. We seamlessly integrate culinary food craft with deep fundamental science to understand and solve our customers' needs.



How Our Technology Portfolio is Deployed

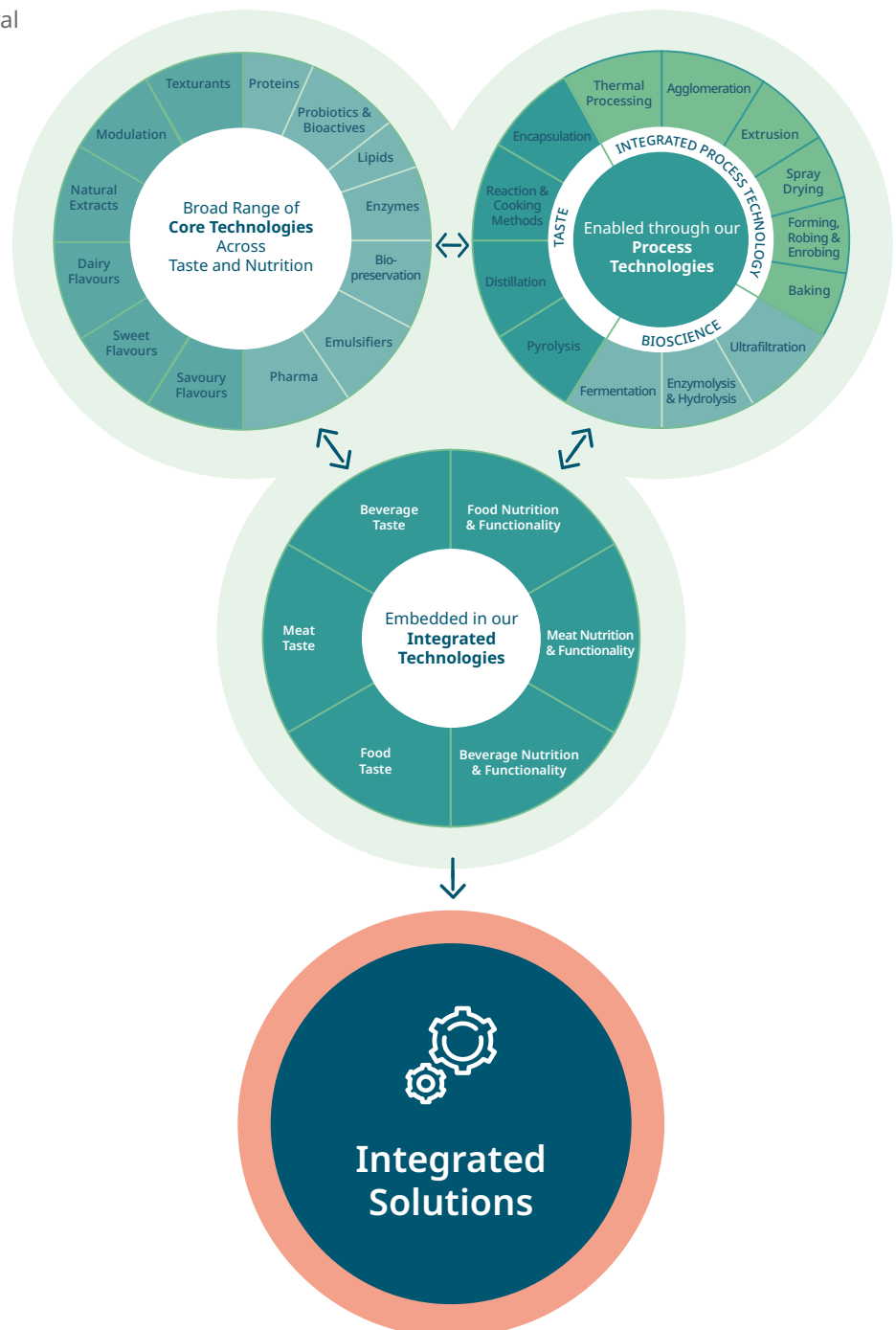
We have industry-leading capabilities across a broad range of **Core Foundational Technologies** spanning the areas of Taste, Nutrition & Functionality. These include taste technologies such as flavours, natural extracts and texturants, combined with nutrition and functionality technologies including enzymes, probiotics and bio-preservation. Our technology portfolio is further enhanced by a global network of suppliers and partners.

We combine this individual technology expertise with the broadest **Process Technology footprint** in our industry ranging from pyrolysis to extrusion to fermentation.

By combining and leveraging our foundational technologies and our extensive process technologies capabilities we create **Integrated Technologies**, that are end-use market specific. Kerry is the global leader in Taste & Nutrition Integrated Technologies.

All of these capabilities are leveraged by our Application teams and chefs to create unique **Integrated Solutions** for our customers that are defined and aligned to consumer needs and bespoke customer requirements. This is at the core of our unique and leading taste and nutrition positioning. It is where we excel as the co-creation partner for our customers. It is the culmination of decades of research, development and application expertise and investment in our broad technology platforms. It is an example of the value-add staircase we've built. And it's why we are the industry leader in integrated solutions.

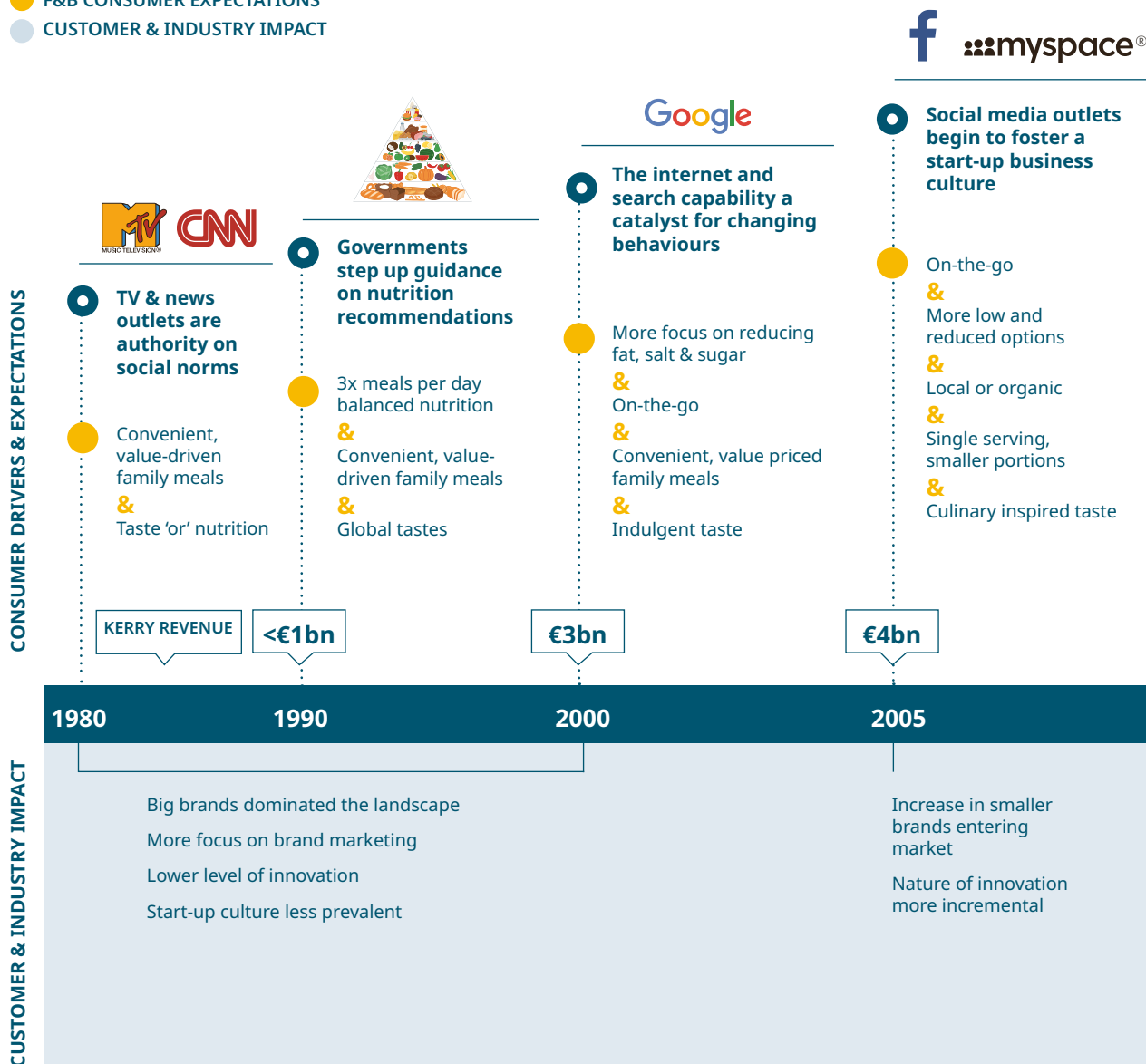
Our broad range of **Core Technologies** across Taste and Nutrition are enabled through our **Process Technologies**, embedded in our **Integrated Technologies** and help us to create unique **Integrated Solutions** for our customers across our Food, Beverage and Pharma end use markets.



Our Markets

Expanding exponentially with each decade
- driven by the rise of the '&' consumer.

- KEY CONSUMER INFLUENCES
- F&B CONSUMER EXPECTATIONS
- CUSTOMER & INDUSTRY IMPACT

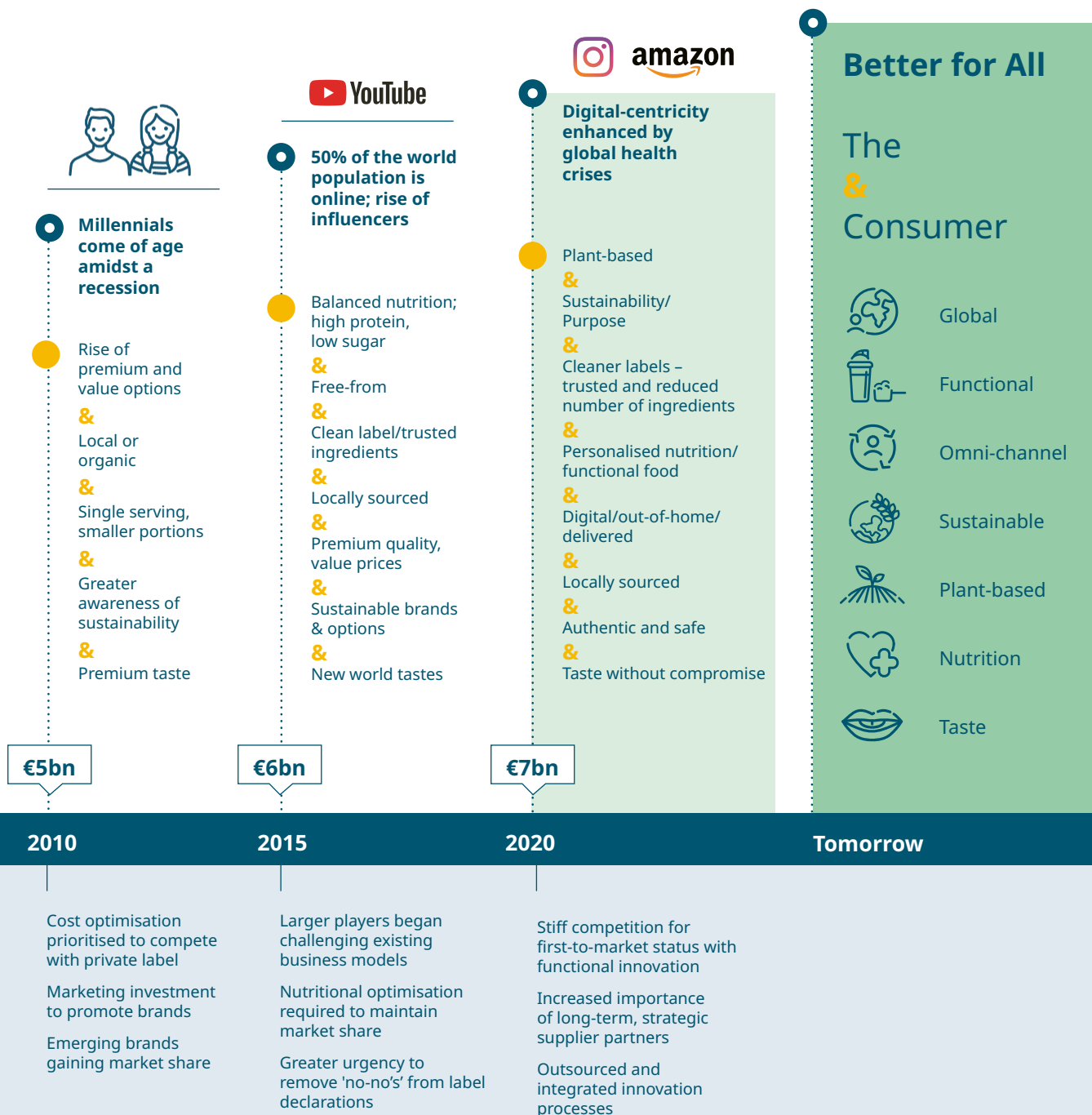


Where the consumer is at the centre of everything we do

Kerry is a consumer-led organisation. Our business model, structures and strategies continue to evolve, centred around a deep understanding of diverse local consumer preferences across the globe. Kerry's sales and commercial structures are managed primarily through the lens of its food, beverage and pharma end use markets, through which we sell 18,000+ products that support customers as they seek to innovate to win in today's food, beverage and pharma marketplace.

The Evolution of our Marketplace

The consumer landscape has significantly evolved over the past 40 years, with the last five years seeing a profound change led by millennials and younger consumers. This has meant an increased appetite for new experiences, a greater awareness of how food and beverages are made, their ingredients, and what the companies that produce them stand for.



The '&' Consumer

The '&' consumer has now become the primary influencer of food and beverage purchasing decisions within households across the globe. Brands today must make great tasting products that nourish consumers, while enhancing their lives and regenerating the planet. Innovation needs to be purposeful and meet the ever-increasing demands of consumers.

The Impact on our Industry

All of these changes are reshaping the industry, challenging long established business models and redefining traditional ways of working. This is creating significant opportunity, as customers continue to look for partners that provide an enhanced innovation service. This is leading to significant market opportunity and a potential future market far in excess of the current estimated market size of c. €75 billion.

Strategy & Financial Targets

Strategic Priorities for Growth

The Group has clear strategic priorities for organic and acquisitive growth which are the main drivers of our medium term organic growth targets and focus areas for capital allocation.

These are complemented by our margin expansion objectives and underpinned by a returns discipline, with sustainability a key consideration for all strategic decisions.

Taste & Nutrition			
Strategic Priorities For Growth	Authentic Taste	Kerry's Unique Proposition	Nutrition, Wellness & Functionality
Overview	Our Authentic Taste platform is founded on a from-food-for-food heritage and philosophy, with a broad range of foundational technology capabilities including Sweet, Savoury and Dairy Flavours, Texturants, Taste Modulation and Natural Extracts amongst others.	Kerry has an extensive portfolio of technologies across both Taste and Nutrition. It has developed its unique ability to deploy these technologies together to enhance the taste and improve the nutrition and functionality of products, which has been integral to Kerry leading the industry shift towards delivering customer specific integrated solutions.	Our Nutrition, Wellness & Functionality platform delivers benefits such as natural preservation, immunity support, digestive health, sustainable efficiencies, fortification and cleaner labels. These benefits are achieved by leveraging this broad foundational technology platform which includes Proteins, Probiotics and Bioactives, Lipids, Enzymes, Bio-preservation and Pharma amongst others.

Progress in 2020/ Strategy in Action

Winning Innovations in 2020

Radicle Plant-based Teriyaki Sandwich

In Europe, we created an innovative plant-based chicken-alternative for a key foodservice customer using our Plenti™ protein and our taste technologies.



- Plenti™ protein
- Authentic Savoury™ natural flavours
- Savarome™ yeast extract
- 85% reduction in emissions
- +6g fibre per 100g

Immunity Enhancing Powdered Beverage

In North America, we developed an immunity enhancing powdered beverage for a leading functional beverage brand customer to meet the exceptional consumer demand for health and wellness products.



- Wellmune immunity enhancing beta glucan
- Natural flavour
- 7% less carbon
- Significant customer downstream carbon reduction due to lower transport costs

Clean label Charcuterie

In Europe, we partnered with a key customer to launch a range of new clean label meat snacks. Our CleanSmoke™ enabled the customer to communicate better for the consumer and better for the environment messaging on-pack.



- Consistent great tasting traditional flavour
- Removal of harmful chemicals
- 84% less carbon
- 88% less water usage

The **Taste & Nutrition** division's leading strategic priorities for growth include Authentic Taste and Nutrition, Wellness & Functionality. These are intrinsically intertwined, as Kerry's philosophy and ways of working focus on delivering great tasting products that enhance nutrition, wellness and functionality properties, that are better for the planet and help our customers meet their sustainability goals.

The Group also continues to advance our leading positions in Developing Markets and the Foodservice channel.

The **Consumer Foods** division is a leader in its categories in the chilled cabinet and is focused on best positioning its offering in the changing marketplace to drive further growth.

Taste & Nutrition

Consumer Foods

Developing Markets

Kerry's local knowledge and focus, combined with its global expertise and capabilities have been key to its excellent track record of growth in developing markets.

Kerry's target is to continue to achieve volume growth in developing markets of 10%+ per annum on average.

Kerry's new Technology & Innovation Centre in Shanghai



Foodservice

Kerry has an unrivalled position as a partner to the foodservice channel. The breadth of our offering and depth of capabilities means Kerry is the leading partner for foodservice operators, as it provides menu innovation and new platforms, themed and seasonal offerings and nutrition-led innovation.

Kerry's target is to achieve volume growth in Foodservice of 7% per annum on average.



Core

New Occasions

New Channels

New Customers

Adjacencies

A leader in its categories in the chilled cabinet primarily in Ireland and the UK.

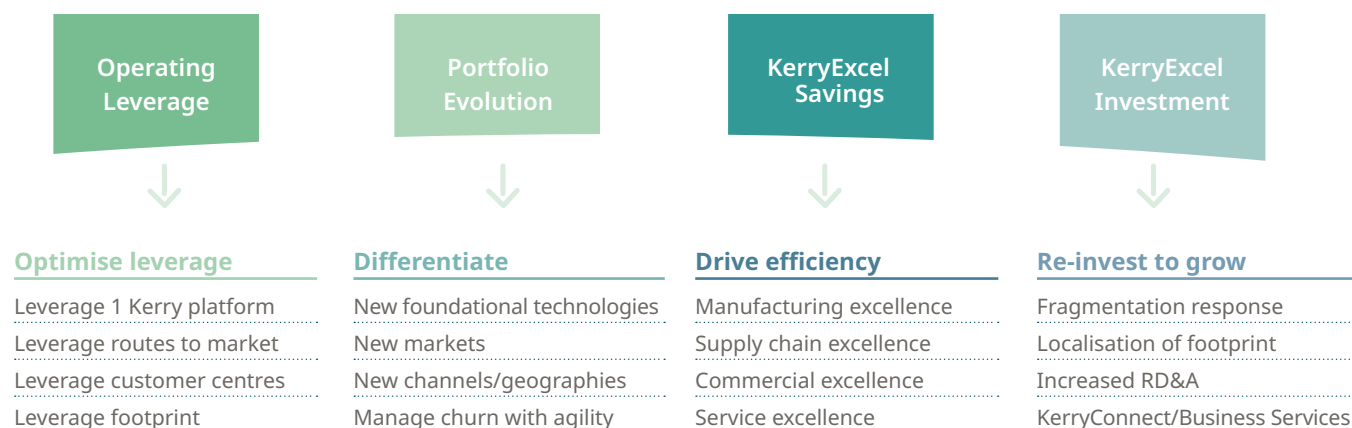
We will continue to drive growth and outperform our markets in our core business by responding to key consumer trends in meat, meals and dairy, while also leveraging this core expertise in developing and expanding adjacent categories.



- Performance across Kerry's developing markets was impacted due to COVID-19 with overall volumes down 1.2% in the year, but Kerry achieved a strong recovery through the year and returned to growth in the last quarter – led by China and Brazil.
- Completed strategic acquisitions of Jining Nature Group and Tecnispice, S.A. which enhance Kerry's presence and capabilities in China and LATAM.
- Strategic expansion of our facilities in China and the Middle East.
- Performance in the channel was significantly disrupted by restrictions due to the pandemic. Many of Kerry's customers saw their operations closed or at a reduced capacity for extended periods. Our performance recovered through the year as restrictions on mobility reduced, however overall volumes were down 19.0% in the year.
- Achieved strong growth and business development with customers improving their food delivery proposition.
- Successful launch of a number of products including Kerry's proactive nutrition technologies.
- Delivered good underlying volume growth of 2.2% with a very strong finish to the year.
- Achieved strong growth in snacking, particularly through Cheestrings and Fridge Raiders ranges.
- Strong performance and development of plant-based ranges led by the Richmond brand.

Strategy & Financial Targets

Strategic Priorities for Margin Expansion



Medium Term Financial Targets

The medium term financial targets are based on a combination of growth and return.

Our overall target of 10%+ average constant currency adjusted EPS growth represents a balance of volume growth and margin expansion, supported by the reinvestment of cash in our strategic priorities. The metrics of return on average capital employed and cash conversion represent a balanced assessment of performance over time.

These return metrics ensure that there is an appropriate balance between growth and return. We believe that the delivery of these financial targets should underpin a Total Shareholder Return outperformance relative to our peers.

Strategic Medium Term Financial Targets



Note 1: Volume growth targets assume 2% above market growth rates.

Note 2: Adjusted EPS growth and ROACE are calculated before brand related intangible asset amortisation and non-trading items (net of related tax).

Note 3: Cash conversion is free cash flow expressed as a percentage of adjusted earnings after tax.

Full definitions can be found on pages 231-234.

Our Strategic Advantage

We are **market leaders** with a strong track record of **proven success** and significant **growth potential**. Our leading business model is powered by **our people** and our **leading technology** capability, underpinned by our culture, with **sustainability** at the heart of everything we do.

MARKET LEADERSHIP

Global leader across Taste *and* Nutrition

Global leader in developing markets with strong track record of growth

Global leader in Taste & Nutrition solutions for both Meat and Meat Alternative markets

Global leader in Clean Label solutions

In 5 of the top 10 blockbuster drugs

Leader in our chilled foods categories in UK and Ireland

PROVEN SUCCESS

9% CAGR for revenue

13% CAGR for trading profit

12% CAGR for adjusted EPS

16% CAGR on share price

17% CAGR on dividend per share

25% absolute carbon reduction (2010-2020)

CAGR = Compound Annual Growth Rate since 1986

GROWTH POTENTIAL

Industry-leading business model

Unique integrated Taste & Nutrition solution capability to meet evolving market needs

Winning across all customer segments and channels

Further strong growth potential in developing markets

Extensive global footprint platform to meet local needs

Proven consolidator

PEOPLE

Proven leadership and management capability

Purpose-driven inclusive culture

Investment in future focused leadership, professional and technical capabilities

Opportunities for personal growth and career fulfilment

Globally diverse, mobile and engaged workforce

Reward and recognition focus

TECHNOLOGY LEADERSHIP

Leading technology portfolio with global leadership in integrated technologies

Industry-leading application and culinary expertise for solutions delivery

Unparalleled breadth of integrated manufacturing process capabilities

Industry-leading infrastructure of global and local technology and application centres

Deep research and innovation programme that leverages global network of research and technology partners

SUSTAINABLE

Core to our purpose, vision and business model

Leading portfolio of positive and balanced nutrition solutions

Innovation strategies focused on the industry's biggest challenges

Consistent delivery against sustainability targets

Milestones linked to performance management

Key Performance Indicators

The metrics outlined below are the important measurement indicators of Group performance in meeting our objectives. The Group's financial objective is to maximise shareholder return by delivering on our targets which are a combination of growth and return metrics.

The Group also has a range of non-financial metrics that are used to measure performance with customers, suppliers, community, environmental targets and employee engagement. The non-financial metrics shown below are further complemented in the Sustainability section.

FINANCIAL PERFORMANCE INDICATORS

Metric	GROWTH					
	Volume Growth (2.9%)		Trading Margin Expansion (100bps)		Constant Currency Adjusted EPS Growth (9.4%)	
Performance	2020	(2.9%)	2020	11.5% (100bps)	2020	345.4 (9.4%)
	2019	2.8%	2019	12.5% +30bps	2019	8.3%
	2018	3.5%	2018	12.2% 0bps	2018	8.6%
Commentary	Group volumes decreased by 2.9% overall in the year, due to the significant impact of COVID-19 on the foodservice channel.		Group trading margins decreased by 100bps in the year, primarily due to significant operating leverage and costs associated with COVID-19.		Constant currency adjusted EPS decreased by 9.4% in the year.	
Strategic Importance/ Link To Remuneration	Volume growth is an important metric as it is seen as the key driver of organic top-line business improvement. It is a metric in the short term incentive plan and is a key driver of adjusted EPS growth, which is a metric for the long-term incentive plan.		Trading margin expansion is a key measure of profitability. It is a metric in the short term incentive plan and is a key driver of adjusted EPS growth, which is a metric for the long-term incentive plan.		Constant currency EPS growth is a key performance metric as it encompasses the components of growth that are important to the Group's stakeholders. It is a performance metric for the long-term incentive plan.	

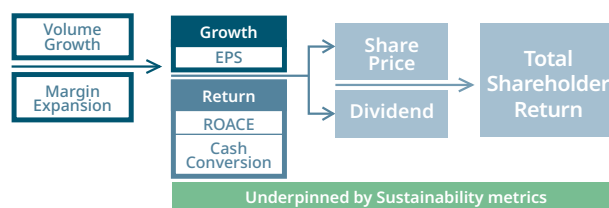
NON-FINANCIAL PERFORMANCE INDICATORS

Metric	Consumers Reached (1.0 Billion Consumers)
Performance	
Commentary	Understanding that nutrition plays a critical part in the broader sustainable development agenda, Kerry has an ambitious target of reaching two billion people with sustainable nutrition solutions by 2030. This target encompasses both financial and non-financial metrics, as key to increasing Kerry's reach will be achieving business growth objectives, while creating a positive impact through the achievement of our sustainability commitments. Kerry will deliver on this target by further enhancing and expanding our solutions portfolio across the nutrition spectrum, as we respond to evolving market demands.
Strategic Importance/ Link To Remuneration	As the leader in Taste and Nutrition, we can play a pivotal role in supporting the transition to healthier more sustainable diets. As awareness continues to grow of the link between diet and health, consumers are increasingly looking for products that are good for them and the world around them. As customers seek to respond, Kerry is ideally placed to support them in the development of products that deliver more sustainable nutrition. The achievement of this target is fully integrated with our broader strategic objectives and central to our Vision to be our customers' most valued partner, creating a world of sustainable nutrition. It is one of the performance metrics that measures the Group's performance compared to its 2030 sustainability strategy targets. This will be incorporated in the sustainability metric in the 2021 long-term incentive plan.

Business strategy is set by the Board of Directors and all Kerry employees work towards achieving these goals.

Performance evaluation takes account of all key performance indicators. Remuneration is directly linked with performance versus targets.

Drivers of Shareholder Return



RETURN

Return on Average Capital Employed (ROACE) 9.8%	Cash Conversion 67%	Total Shareholder Return (TSR) 7.4%
2020 9.8%	2020 412 67%	2020 29% 7%
2019 11.8%	2019 515 74%	2019 20% 29%
2018 12.0%	2018 447 72%	2018 (7%) (7%)
ROACE for the year was 9.8%, which reflected the significant impact from COVID-19 on business performance.	Cash Conversion for the year was 67%, which reflected a working capital investment with additional inventory to ensure continuity of supply through COVID-19 and to support the rollout of KerryConnect in North America.	TSR for the year was 7.4%, as markets and share prices were impacted as COVID-19 spread globally and impacted all businesses, but recovered through the year as performances improved. Compound TSR over the past three years amounted to 29.1%.
ROACE is a key measure of the return the Group achieves on its investment in capital expenditure projects, acquisitions and other strategic investments. It is a performance metric for the long-term incentive plan.	Cash conversion is an important metric as it measures how much of the Group's adjusted earnings is converted into cash. It is a performance metric for the short term incentive plan.	TSR is an important indicator of how successful the Group has been in terms of shareholder value creation. Relative TSR is a performance metric for the long-term incentive plan.

These are non-IFRS measures or Alternative Performance Measures. Definitions, calculations and reconciliations for these are set out above and within the Supplementary Information section - Financial Definitions on pages 231-234.

Annual Carbon Reduction (17%)	Reduction in Food Waste (10%)
2050 Target of 33% reduction in Scope 1 & 2 carbon emissions by 2030	2050 Target of achieving 50% reduction in food waste by 2030
2020 17%	2020 10%
The Group has set a Science Based Target for carbon reduction that reflects global efforts to limit warming to well below 2 degrees Celsius. In 2020, we achieved a 17% reduction in absolute Scope 1 & 2 emissions versus our base year, driven primarily by an ongoing focus on carbon efficiency and increasing the share of electricity we procure from renewable sources.	In line with target 12.3 of the UN Sustainable Development Goals, we aim to halve food waste across our operations by 2030. In 2020, we made strong progress towards this goal achieving a 10% reduction across our sites versus our base year. Our approach focuses on a number of different interventions at site level including the recovery and redistribution of products through charitable partners, further optimising our production processes and a programme of employee engagement and training.
The impact of climate change is increasingly clear with growing awareness of the implications for people, the environment and the economy. At Kerry, we understand the need to act now in support of a global shift towards decarbonisation, helping to mitigate the worst effects of climate change and building resilience across our value chain. We are committed to addressing our carbon footprint and achieving net zero emissions before 2050. It is one of the performance metrics that measures the Group's performance compared to its 2030 sustainability strategy targets. This will be incorporated in the sustainability metric in the 2021 long-term incentive plan.	A crucial intervention for sustainable food production is reducing the current level of food waste, estimated to be up to a third of all calories produced. This significant environmental, social and economic impact provides an opportunity for organisations to capture additional value while acting to reduce environmental impacts. At Kerry, we are committed to halving food waste across our operations and supporting our customers in reducing their food waste through the use of sustainable solutions, particularly our preservation technologies. It is one of the performance metrics that measures the Group's performance compared to its 2030 sustainability strategy targets. This will be incorporated in the sustainability metric in the 2021 long-term incentive plan.

Financial Review

In an unprecedented year, we delivered a resilient performance, with a strong recovery in business volumes and profit margin.



Marguerite Larkin
Chief Financial Officer

In a year that was significantly impacted by COVID-19, the Group delivered revenue of €7 billion, trading profit of €797m and free cash flow of €412m. We have made a strong recovery with business volumes returning to growth in the fourth quarter and trading profit margin recovering. The strength of this recovery, agility of our business model and resilience of our business gives me confidence that we will continue our strong track record of creating value for all our stakeholders.

The Financial Review provides an overview of the Group's financial performance for the year ended 31 December 2020 and the Group's financial position at that date.

The Key Financial Performance Indicators outlined below are used to track business and operational performance and help the Group drive value creation. The Group has a strong track record and a disciplined financial approach of targeting continued growth while meeting return on investment objectives. This combination of growth and return help ensure the Group's financial objective of maximising shareholder return is achieved.

Key Financial Indicators

Growth	Group Volume Growth		Group Trading Margin		Adjusted EPS Growth in Constant Currency	
	2020	2019	2020	2019	2020	2019
	(2.9%)	2.8%	11.5%	12.5%	(9.4%)	8.3%
Return	ROACE		Cash Conversion		Dividend	
	2020	2019	2020	2019	2020	2019
	9.8%	11.8%	€412m 67%	€515m 74%	86.5 cent	78.6 cent

Further detail is set out within the Key Performance Indicators section on pages 30-31 and within the Supplementary Information section – Financial Definitions on pages 231-234.

Analysis of Results

	% change	2020 €'m	2019 €'m
Revenue	(4.0%)	6,953.4	7,241.3
Trading profit	(11.7%)	797.2	902.7
<i>Trading margin</i>		11.5%	12.5%
Computer software amortisation		(28.4)	(26.5)
Finance costs (net)		(72.4)	(81.6)
Adjusted earnings before taxation		696.4	794.6
Income taxes (excluding non-trading items)		(85.1)	(98.6)
Adjusted earnings after taxation	(12.2%)	611.3	696.0
Brand related intangible asset amortisation		(41.7)	(37.8)
Non-trading items (net of related tax)		(15.5)	(91.7)
Profit after taxation		554.1	566.5
		EPS cent	EPS cent
Basic EPS	(2.3%)	313.0	320.4
Brand related intangible asset amortisation		23.6	21.4
Non-trading items (net of related tax)		8.8	51.9
Adjusted* EPS	(12.3%)	345.4	393.7
Impact of retranslating prior year adjusted earnings per share at current year average exchange rates		-	(12.3)
Adjusted* EPS in constant currency	(9.4%)	345.4	381.4

* Before brand related intangible asset amortisation and non-trading items (net of related tax).

Revenue

Group revenue was **€7.0 billion** (2019: €7.2 billion) reflecting a reported decrease of **4.0%**. This comprised a volume decrease of **2.9%** primarily due to the impact of COVID-19, positive pricing of **0.3%**, an adverse transaction currency impact of **0.1%**, an adverse translation currency impact of **2.3%** and contribution from business acquisitions of **1.0%**.

2019: Group reported revenue +9.6%, volume growth +2.8%, pricing flat, translation currency +2.1%, contribution from business acquisitions of +4.7%.

Taste & Nutrition revenue was **€5.8 billion** (2019: €6.0 billion) reflecting a reported revenue decrease of **4.4%**. This comprised a volume decrease of **3.0%** due to the impact of COVID-19, positive pricing of **0.1%**, an adverse transaction currency impact of **0.1%**, an adverse translation currency impact of **2.6%** and contribution from business acquisitions of **1.2%**.

2019: Taste & Nutrition reported revenue +12.5%, volume growth +4.0%, pricing increase +0.1%, translation currency +2.6%, acquisitions +5.8%.

Consumer Foods revenue was **€1.28 billion** (2019: €1.31 billion) reflecting a reported revenue decrease of **2.1%**. This comprised a volume decrease of **2.6%**, positive pricing of **1.2%** and an adverse translation currency impact of **0.7%**. Excluding the impact of the ready meals contract exit, volume would have increased by **2.2%**.

2019: Consumer Foods reported revenue (2.4%), volume reduction (2.2%), pricing (0.5%), translation currency +0.3%.

Trading Profit & Margin

Group reported trading profit of **€797.2m** (2019: €902.7m) and a trading margin of **11.5%**, a decrease of **100bps**, primarily reflecting significant operating leverage from lower volumes in Taste & Nutrition and COVID-related costs partially offset by cost mitigation actions.

Taste & Nutrition had a trading margin of **14.2%**, a decrease of **110bps** reflecting significant operating leverage and COVID-related costs partially offset by cost mitigation actions.

Consumer Foods had a trading margin of **7.8%**, an increase of **20bps**, reflecting efficiencies delivered from the 2019 Realignment Programme and cost mitigation actions partially offset by net COVID-related costs and negative net pricing in a challenging market.

The trading profit reflects an EBITDA of **€1.0 billion** (2019: €1.1 billion) and an EBITDA margin of **14.4%** (2019: 15.1%).

A comprehensive analysis of the revenue and trading performance of the Taste & Nutrition and Consumer Foods divisions is included in the Business Reviews on pages 40-45.

Computer Software Amortisation

Computer software amortisation increased by **€1.9m to €28.4m** (2019: €26.5m) reflecting the ongoing progression of the KerryConnect Programme including costs associated with the rollout across our sites in North America. The capitalised element of the cost of this project is being amortised over a seven year period.

Brand Related Intangible Asset Amortisation

Brand related intangible asset amortisation increased to **€41.7m** (2019: €37.8m) which is reflective of recent acquisition activity.

Finance Costs (net)

Finance costs (net) for the year decreased by **€9.2m to €72.4m** (2019: €81.6m) primarily due to lower interest rates. The Group's average interest rate for the year was **3.0%** (2019: 3.7%).

Taxation

The tax charge for the year before non-trading items was **€85.1m** (2019: €98.6m) representing an effective tax rate of **13.0%** (2019: 13.0%) and is reflective of the geographical mix of earnings.

Acquisitions

During the year, the Group completed three acquisitions for a total consideration of **€280.0m**. These acquisitions were aligned to the Group's strategic priorities for growth; enhancing both the Group's taste and nutrition technologies, expanding its presence in developing markets and in the foodservice channel.

Non-Trading Items

During the year, the Group incurred a non-trading item charge of **€15.5m** (2019: €91.7m) net of tax. The charge in the year primarily related to costs associated with the integration of business acquisitions.

Adjusted EPS in Constant Currency

Adjusted EPS in constant currency decreased by **9.4% to 345.4 cent** (2019: +8.3%) due to the impact of COVID-19 on business performance.

Basic EPS

Basic EPS decreased by **2.3% to 313.0 cent** (2019: 320.4 cent). Basic EPS is calculated after accounting for brand related intangible asset amortisation of **23.6 cent** (2019: 21.4 cent) and a non-trading item charge of **8.8 cent** net of related tax (2019: 51.9 cent).

Return on Average Capital Employed

ROACE in the year was **9.8%** (2019: 11.8%) reflecting the impact of COVID-19 on current year profits.

Exchange Rates

Group results are impacted by year-on-year fluctuations in exchange rates versus the euro. The average rates below are the principal rates used for the translation of results. The closing rates below are used to translate assets and liabilities at year end.

	Average Rates		Closing Rates	
	2020	2019	2020	2019
Australian Dollar	1.66	1.61	1.59	1.60
Brazilian Real	5.75	4.44	6.38	4.53
British Pound Sterling	0.89	0.88	0.90	0.85
Chinese Yuan Renminbi	7.86	7.73	8.03	7.82
Malaysian Ringgit	4.77	4.65	4.92	4.60
Mexican Peso	24.34	21.59	24.46	21.19
Russian Ruble	81.16	72.28	90.68	69.34
South African Rand	18.62	16.20	18.02	15.77
US Dollar	1.13	1.12	1.23	1.12

Dividends

During the year, the Group paid an interim dividend of 25.9 cent per A ordinary share, which was an increase of 10.2%. The Board has proposed a final dividend of 60.6 cent per A ordinary share, payable on 14 May 2021 to shareholders registered on the record date of 16 April 2021. When combined with the interim dividend, the total dividend for the year amounts to 86.5 cent per share (2019: 78.6 cent per share), which is an increase of 10.1% over last year's dividend. The Group's aim is to have double digit dividend growth each year. Over 34 years as a listed company, the Group has grown its dividend at a compound rate of 16.5%.

Balance Sheet

A summary balance sheet as at 31 December is provided below:

	2020 €'m	2019 €'m
Property, plant & equipment	1,990.6	2,062.9
Intangible assets	4,687.1	4,589.7
Other non-current assets	170.6	179.5
Current assets	2,594.8	2,672.2
Total assets	9,443.1	9,504.3
Current liabilities	1,696.3	2,014.0
Non-current liabilities	3,091.3	2,928.1
Total liabilities	4,787.6	4,942.1
Net assets	4,655.5	4,562.2
Shareholders' equity	4,655.5	4,562.2

Property, Plant & Equipment

Property, plant and equipment decreased by **€72.3m** to **€1,990.6m** (2019: €2,062.9m) primarily due to the depreciation charge and the impact of foreign exchange translation partially offset by additions made in the period. Net capital expenditure in the year (including computer software) amounted to **€310.7m** (2019: €315.3m). The level of capital investment supports the Group's growth initiatives and included the strategic development of its Georgia, US facility, creating a world-leading manufacturing facility to meet increasing demand for integrated solutions across a variety of protein applications.

Intangible Assets & Acquisitions

Intangible assets increased by **€97.4m** to **€4,687.1m** (2019: €4,589.7m) due to the acquisitions made in the year partially offset by amortisation charge and the impact of foreign exchange translation.

Current Assets

Current assets decreased by **€77.4m** to **€2,594.8m** (2019: €2,672.2m) due to decreased inventory and trade and other receivables.

Retirement Benefits

At the balance sheet date, the total net deficit for all defined benefit schemes (after deferred tax) was **€43.6m** (2019: €8.6m). The increase in the net deficit was driven primarily by lower discount rates which increased schemes' liabilities, partially offset by strong returns on schemes' assets. The net deficit expressed as a percentage of market capitalisation at 31 December 2020 was **0.2%** (2019: 0.04%).

Shareholders' Equity

Shareholders' equity increased by **€93.3m** to **€4,655.5m** (2019: €4,562.2m), resulting from profits generated during the year, offset in part by dividends.

A full reconciliation of shareholders' equity is disclosed in the Consolidated Statement of Changes in Equity on page 162.

Capital Structure

The Group finances its operations through a combination of equity and borrowing facilities, including bank borrowings and senior notes from capital markets.

The financing structure of the Group is managed in order to optimise shareholder value while allowing the Group to take advantage of opportunities that might arise to grow the business. The Group targets acquisition and investment opportunities that are value enhancing and the Group's policy is to fund these transactions from cash flow or borrowings while maintaining its investment grade debt status.

This is managed by setting Net debt to EBITDA targets while allowing flexibility to accommodate significant acquisition opportunities. Any expected variation from these targets should be reversible between 18 and 24 months; otherwise consideration would be given to issuing additional equity in the Group.

Free Cash Flow

In 2020, the Group achieved free cash flow of **€412.0m** (2019: €514.6m).

	2020 €'m	2019 €'m
Free Cash Flow		
Trading profit	797.2	902.7
Depreciation (net)	200.7	191.4
Movement in average working capital	(102.5)	(89.5)
Pension contributions paid less pension expense	(23.4)	(26.7)
Cash flow from operations	872.0	977.9
Finance costs paid (net)	(74.6)	(80.8)
Income taxes paid	(74.7)	(67.2)
Purchase of non-current assets	(310.7)	(315.3)
Free cash flow	412.0	514.6
Cash conversion ¹	67%	74%

¹ Cash conversion is free cash flow expressed as a percentage of adjusted earnings after taxation.

Total Net Debt

Total net debt at the end of the year was **€1,945.1m** (2019: €1,972.2m). Lease liabilities are included in total net debt for 2020 and 2019. The increase during the year is analysed in the table below:

Movement in Total Net Debt	2020 €'m	2019 €'m
Free cash flow	412.0	514.6
Acquisitions (net of disposals) including payments relating to previous acquisitions	(258.6)	(568.0)
Disposal of financial asset investments	5.3	-
Difference between average working capital and year end working capital	(6.2)	25.6
Non-trading items	(39.7)	(89.1)
Dividends paid	(143.1)	(128.3)
Shares issued during the financial year	-	0.1
Exchange translation adjustment	(4.6)	(2.5)
Increase in net debt resulting from cash flows	(34.9)	(247.6)
Fair value movement on interest rate swaps	7.6	12.5
Exchange translation adjustment on net debt	26.5	(4.2)
Increase in net debt in the year	(0.8)	(239.3)
Net debt at beginning of year	(1,862.8)	(1,623.5)
Net debt at the end of year – pre lease liabilities	(1,863.6)	(1,862.8)
Lease liabilities	(81.5)	(109.4)
Total net debt* at the end of year	(1,945.1)	(1,972.2)

* Prior year has been re-presented to include lease liabilities in total net debt.

The exchange translation adjustment of **€26.5m** results primarily from borrowings denominated in US dollar translated at a year end rate of \$1.23 versus a rate of \$1.12 in 2019.

Maturity Profile of Total Net Debt	2020 €'m	2019 €'m
Within 1 year	533.3	374.9
Between 1 and 2 years	(104.9)	(25.6)
Between 2 and 5 years	(1,626.3)	(765.4)
Over 5 years	(747.2)	(1,556.1)
Total net debt at end of year	(1,945.1)	(1,972.2)
Weighted average maturity (years)	5.2	5.9

Credit Facilities

Undrawn committed facilities at the end of the year were **€1,100m** (2019: €1,100m) while undrawn standby facilities were **€320.0m** (2019: €330.0m).

In early 2020, the Group repaid US\$208m of maturing private placement notes. During the second quarter of 2020, the Group completed a €200m tap issuance onto its 2025 Senior Notes and exercised the first of the two 'plus one year' extension options on the revolving credit facility to further extend the maturity date of this facility to June 2025.

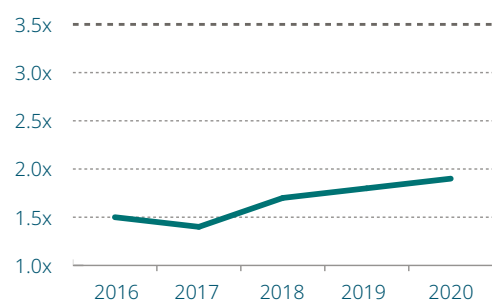
Full details of the Group's financial liabilities, cash at bank and in hand and credit facilities are disclosed in notes 22 and 23 to the Consolidated Financial Statements. Of the cash at bank and in hand at year end, €75m was on short term deposit under a Sustainable Deposits programme.

Key Financial Ratios

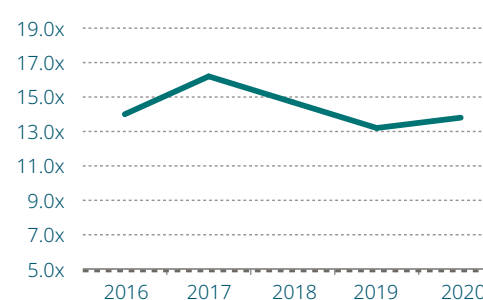
The Group's balance sheet is in a strong position with a Net debt to EBITDA* ratio of 1.9 times. At this ratio the Group has significant liquidity headroom to support future growth plans. The Group's debt is not subject to financial covenants, other than €163.0m of US\$ Private Placements. Group Treasury monitors compliance with all financial covenants and at 31 December the key ratios are as follows:

	Covenant	2020 Times	2019 Times
Net debt: EBITDA*	Maximum 3.5	1.9	1.8
EBITDA: Net interest*	Minimum 4.0	13.8	13.2

Net Debt: EBITDA*



EBITDA: Net Interest*



* Calculated in accordance with lenders' facility agreements which take account of adjustments as outlined on page 233.

Share Price and Market Capitalisation

The Company's shares traded in the range **€91.95** to **€125.60** during the year. The share price at 31 December 2020 was **€118.50** (2019: €111.10) giving a market capitalisation of **€20.9 billion** (2019: €19.6 billion). Total Shareholder Return for 2020 was **7.4%** (2019: 29.3%).

Financial Risk Management

Within the Group risk management framework as described in the Risk Management Report on page 72, the Group has a Financial Risk Management Programme, which is approved by the Board of Directors and is subject to regular monitoring by the Finance Committee and Group Internal Audit. The Group does not engage in speculative trading.

Further details relating to the Group's financial and compliance risks and their associated mitigation processes are discussed in the Risk Management Report on pages 71-83 and in note 23 to the Consolidated Financial Statements.

Summary and Financial Outlook

The Group delivered a resilient performance in 2020, generating revenue of **€7.0 billion**, trading profit of **€797m** and free cash flow of **€412m** through an unprecedented year which saw significant impact from COVID-19. At year end the balance sheet is in a good position and with a Net debt: EBITDA ratio of **1.9 times**, the Group has significant headroom to support the future growth plans of the organisation.

The Group will continue to invest for growth aligned to the changing market landscape and pursue M&A opportunities aligned to our strategic growth priorities.

10 Year Earnings History

A strong history of positive results

	2011 €'m	**2012 €'m	2013 €'m	2014 €'m	2015 €'m	2016 €'m	2017 €'m	2018 €'m	2019 €'m	2020 €'m
Revenue	5,302.2	5,848.3	5,836.7	5,756.6	6,104.9	6,130.6	6,407.9	6,607.6	7,241.3	6,953.4
Trading profit	500.5	559.0	611.4	636.4	700.1	749.6	781.3	805.6	902.7	797.2
Computer software amortisation	(5.4)	(8.7)	(11.5)	(13.6)	(18.7)	(23.4)	(24.3)	(25.0)	(26.5)	(28.4)
Finance costs (net)	(46.0)	(62.1)	(67.6)	(52.9)	(69.3)	(70.4)	(65.6)	(67.0)	(81.6)	(72.4)
Adjusted earnings before taxation*	449.1	488.2	532.3	569.9	612.1	655.8	691.4	713.6	794.6	696.4
Income taxes (excluding non-trading items)	(74.6)	(77.3)	(79.1)	(79.6)	(81.1)	(86.7)	(89.5)	(89.2)	(98.6)	(85.1)
Adjusted earnings after taxation*	374.5	410.9	453.2	490.3	531.0	569.1	601.9	624.4	696.0	611.3
Brand related intangible asset amortisation	(13.9)	(14.7)	(16.6)	(14.4)	(18.7)	(23.0)	(23.6)	(28.8)	(37.8)	(41.7)
Non-trading items (net of related tax)	0.1	(135.5)	(352.2)	4.0	13.1	(13.0)	10.2	(55.1)	(91.7)	(15.5)
Profit after taxation attributable to owners of the parent	360.7	260.7	84.4	479.9	525.4	533.1	588.5	540.5	566.5	554.1
Adjusted EPS (cent)*	213.4	234.0	257.9	278.9	301.9	323.4	341.2	353.4	393.7	345.4

* Adjusted EPS, adjusted earnings before taxation and adjusted earnings after taxation are calculated before brand related intangible asset amortisation and non-trading items (net of related tax) and are considered more reflective of the Group's underlying trading performance. Adjusted EPS performance on a constant currency basis is disclosed on page 232.

** 2012 was restated in line with IAS 19 (2011) 'Employee Benefits' which was adopted as required by IFRS in 2013. All other years are presented as reported.

Business Review



Kerry is the world's leading taste and nutrition company, providing sustainable nutrition solutions for the food, beverage and pharmaceutical industries. Our broad technology foundation, customer-centric business model, and industry-leading integrated solutions capability make Kerry the co-creation partner of choice.

- Overall volume reduction of 3.0%, with a return to growth of 0.7% in Q4
- Retail channel delivered strong growth of 3.8%, led by Beverage and Pharma EUMs, with Food EUM performance driven by Snacks and Meals
- Foodservice channel volumes declined 19.0% with continued recovery through H2 (Q3: -14.9% | Q4: -8.0%)
- Trading margin decrease in the year principally driven by operating deleverage and net COVID-related costs, with continued recovery in H2 aligned to the improvement in business volumes

Revenue

2020

€5,753m (volume -3.0%)

Trading Margin

2020

14.2% (-110bps)

Taste & Nutrition reported revenue was €5.8 billion, reflecting a reported decrease of 4.4%, primarily due to lower volumes and adverse translation currency, partially offset by contribution from business acquisitions. Taste & Nutrition began the year strongly before the global spread of COVID-19. While performance was most impacted in the second quarter, business volumes recovered well since then and returned to growth in the fourth quarter. We saw a significant change in the nature of innovation through the year, as product ideation, collaboration and co-creation was adapted to cater for virtual engagement through this period. Kerry's nutrition and wellness technology portfolio had a very good performance within the retail channel through customised solutions incorporating our broad protein portfolio, fermented ingredients, probiotics and immunity enhancing technologies.

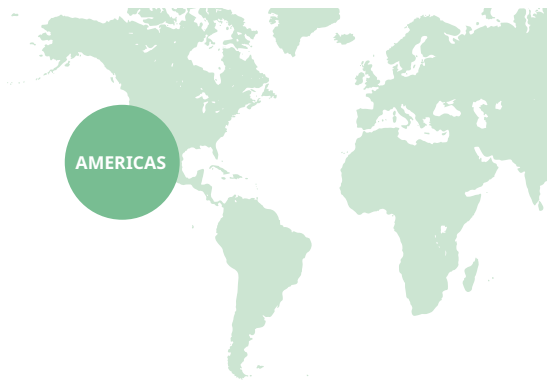
Business volumes in the foodservice channel declined 19.0% in the year, with many out-of-home food and beverage outlets closed for an extended period of time. This impact was the primary driver of overall performance in developing markets, where business volumes declined by 1.2%.

In the year, we completed a number of key strategic acquisitions. These included Bio-K Plus International Inc., a leading biotechnology company with a number of probiotics in beverage and supplement applications in Canada, and we acquired Jining Nature Group in China and Tecnispace, S.A. in Guatemala, both of which are local leaders in savoury taste in their respective markets within APMEA and LATAM.

Read More →

Our Business Model
Pages 20-21

Our Technologies
Pages 22-23



Americas Region

- Overall volume reduction of 2.5%, with a return to growth of 0.5% in Q4
- Retail channel delivered strong growth led by the Beverage EUM and Meals and Snacks within the Food EUM
- Foodservice performance recovered well across H2

Kerry's immunity enhancing technologies, broad protein portfolio and natural extracts were deployed in a number of nutritional, low/no alcohol and plant-based beverage launches.

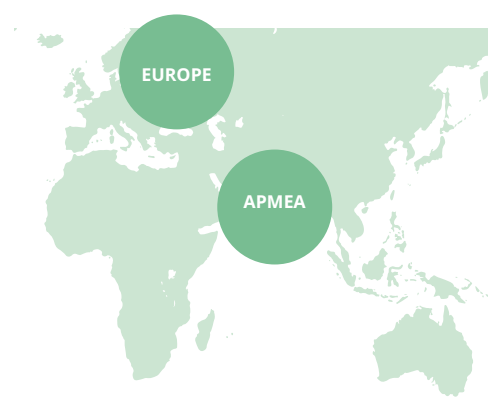
Revenue in the region was €3.1 billion, reflecting a reported decrease of 3.5%, with lower business volumes of 2.5%, positive pricing of 0.1%, an adverse translation currency impact of 3.0% and contribution from business acquisitions of 1.9%.

The retail channel in North America achieved strong growth in the year. This was led by an excellent performance across the Beverage EUM, where Kerry's immunity enhancing technologies, broad protein portfolio and natural extracts were deployed in a number of nutritional, low/no alcohol and plant-based beverage launches. Within the Food EUM, Meals achieved very strong growth through clean label innovations incorporating Kerry's natural stocks and broths, with a number of plant-based launches also supporting growth. Overall Meat performance was impacted in the year by customer product availability on retail shelves, while Snacks performed well through more at-home consumption and increased demand for healthier options.

The foodservice channel in North America was impacted considerably in the second quarter, however performance has seen a significant improvement since then, led by quick service restaurant chains, while dine-in restaurants and independent operators were more challenged. This improvement in performance has been supported by health and wellness innovations and limited time offerings.

In LATAM, the foodservice channel was impacted later in the year, but recovered well through the fourth quarter. Brazil returned to growth led by beverage and ice-cream, while market conditions in Mexico and CACAR remained more challenged.

Pharma achieved very strong growth globally, with cell nutrition performing well and immunity enhancing technologies delivering excellent growth in the year.



Europe Region

- Overall volume reduction of 5.0%, with business volumes of -0.4% in Q4 reflecting further recovery
- Retail channel delivered good growth in Beverage EUM and Snacks and Meat within the Food EUM
- Foodservice continued to recover but was impacted by restrictions late in the year

Revenue in the region was €1.4 billion, reflecting a reported decrease of 5.6%, with lower business volumes of 5.0%, an adverse transaction currency impact of 0.1%, an adverse translation currency impact of 0.9% and contribution from business acquisitions of 0.4%.

This was the most impacted region from COVID-related restrictions in the foodservice channel in the second quarter, but has recovered well since then with customers reopening and operating at varying capacities through the second half of the year. Kerry's improvement in the foodservice channel was supported by a number of launches incorporating the Radicle™ portfolio of plant-based technologies.

The retail channel performed well, with Beverage achieving good growth in nutritional and low/no alcohol beverage categories. Within the Food EUM, Snacks had strong growth through clean-label and healthier innovations in savoury applications with a number of large customers. Dairy performance was impacted by product repositioning in the category and supply/demand dynamics in global dairy markets. Meat performed well in the year, driven by strong growth and business development in plant-based alternatives, as ranges continued to expand within the category. Russia and Eastern Europe delivered a very good performance in the year, led by Snacks and Meat within the Food EUM.

APMEA Region

- Overall volume reduction of 1.9%, with growth of 2.8% in Q4
- Retail channel performed well with strong growth in H2 within the Food EUM through Snacks and Dairy
- Foodservice continued strong recovery through Q4

Revenue in the region was €1.2 billion, reflecting a reported decrease of 5.2%, with lower business volumes of 1.9%, an adverse transaction currency impact of 0.2%, an adverse translation currency impact of 3.5% and contribution from business acquisitions of 0.4%.

Overall performance in the region further improved in the fourth quarter, having returned to growth in the previous quarter. This growth was led by China and the Middle East, while there remained variations in performance across the region aligned to local conditions. The foodservice channel continued to recover through the year as restrictions on mobility eased. The retail channel performed well, led by the Food EUM of Snacks, where we saw a lot of innovation in the category across the region. Demand increased for indulgent offerings as consumers spent more time at home, while healthier snacks with nutritional claims also had a strong performance in the year, benefitting from increasing emphasis on ingredient label declarations for children in China. Meals was more challenged, as many consumers opted for more traditional food offerings during the initial period where restrictions were in place. Dairy had strong growth from increased demand with regional leaders for Kerry's clean label solutions, with Meat also performing well, particularly in the Middle East.

The Group continued to make good progress in expanding its capacity and deploying technology capabilities in China and the Middle East, while also moving into the new Technology & Innovation Centre in Shanghai.

Business Review



Consumer Foods

Kerry Foods is an industry-leading manufacturer of chilled food products primarily to the Irish and UK markets.

[Read More →](#)

Our Markets
Pages 24-25

- Volume performance reflected underlying growth of 2.2%, more than offset by the ready meals contract exit impact
- Volume growth of 8.8% in Q4 represented strong performances across the portfolio and some stocking benefits
- Pricing of +1.2% reflective of increases in input costs and market pricing
- Trading margin +20bps as efficiencies partially offset by COVID-19 impacts and pricing

Revenue

2020

€1,279m (volume -2.6%¹)

Trading Margin

2020

7.8% (+20bps)

¹ volume growth of 2.2% excluding contract exit

The market saw major variations in category performances through the year, as consumers' purchasing and consumption behaviours changed significantly as a result of COVID-19. Shopping habits became more functional and impulse purchases have reduced. At-home snacking increased, as out-of-home occasions have been curtailed by restrictions on movement. Many retailers scaled back category product listings and their freshly prepared over-the-counter operations. Large traditional retailers have benefitted through the year, with increased average basket sizes and reduced promotional activity, while demand for online and delivery has increased dramatically.

Consumer Foods reported revenue was €1.3 billion, reflecting a reported decrease of 2.1%, as lower volumes due to the previously reported ready meals contract exit and adverse foreign currency movements were partially offset by increased pricing.

The Richmond sausage range achieved very good growth in the year, with strong growth across Kerry's branded meat-free ranges driving further market share gains. The Denny brand performed well, while overall meat sales were impacted by reduced retailer deli counter operations. Spreadable butter and Dairygold performed well due to increased at-home consumption.

Chilled meals was impacted by reduced consumer impulse purchases, while frozen meals benefitted from increased retailer stocking in the fourth quarter. Plant-based meals had strong growth across both chilled and frozen ranges through the year, with a number of successful launches supporting performance.

The snacking range and home delivery meals business achieved very strong growth in the year. This was led by Fridge Raiders, which benefitted from increased at-home snacking consumption. The Strings & Things range, led by Cheestrings also delivered strong growth with a number of innovations, while Oakhouse Foods home delivery meals had exceptionally strong growth in the year.



Sustainability Review

Beyond the Horizon

A photograph of a man in a dark long-sleeved shirt lifting a young child into the air. They are in a field of tall, golden grass, likely wheat, under a warm, hazy sunset sky. The sun is low on the horizon, creating a strong backlight effect and long shadows.

1 billion+

We currently reach over one billion consumers with positive and balanced nutrition solutions.

At Kerry, our ambition is to reach over two billion people with sustainable nutrition solutions by 2030. In 2020, we launched our *Beyond the Horizon* strategy, setting out how we will achieve this, through our industry leading portfolio, innovation expertise and expanded sustainability commitments, co-creating products that are better for people, society and the planet.

With a heritage rooted in sustainable development, we are proud of our achievements to date and the continued decoupling of our growth from environmental impacts. We currently reach over one billion consumers with taste and nutrition solutions that improve the food and beverages people love. However, we recognise the very significant environmental and social challenges facing our industry. Given our scale, reach and our ability to impact on consumer health and wellbeing, we are committed to the transformation of the food system, creating a future where healthier, more nutritious food is produced in a way that respects both people and the planet, enabling all people and communities around the world to access and consume healthier, sustainable and great tasting products.

Read More →

Our Purpose and Vision
Pages 4-5

Find our *Beyond the Horizon* strategy at www.kerry.com/sustainability

Our Vision is to be our customers' most valued partner, creating a world of sustainable nutrition.

Meeting the Global Challenge

In 2015, world leaders agreed to a UN roadmap for more sustainable global development by 2030. Through a set of seventeen Sustainable Development Goals (SDGs) and associated targets, they adopted a pathway to address poverty, protect the planet and improve the lives and prospects for all. As we enter 2021, the achievement of these goals is in doubt without an accelerated and concerted effort by all parts of society to deliver on the SDGs.

The food system has a critical role to play in the achievement of these goals. According to the World Health Organisation, good nutrition is central to the achievement of twelve of the seventeen SDGs. However, today we know that more than two billion people globally are overweight or obese while almost 700 million go hungry every day. Food production is also responsible for a significant share of greenhouse gas emissions and global resource use and yet it is estimated that a third of all calories produced are not consumed due to food loss and waste.

At Kerry, we look beyond the horizon to a future of sustainable nutrition; one that provides positive and balanced nutrition to consumers globally and where consumers are offered sustainable choices that involve no compromise on taste or quality; a future where farmers are supported to produce in harmony with nature, employing practices that help protect biodiversity, store carbon and regenerate soils; a future where all companies produce and consume while respecting the principles of the circular economy.

As we pursue this vision, we will continue to contribute to the achievement of the UN Sustainable Development Goals. While all seventeen goals are critically important, Kerry's global results, commitments and innovations mean that we are best placed to make the most significant contribution to the targets associated with goals 2, 3, and 12.

At Kerry, we look beyond the horizon to a future of sustainable nutrition; one that provides positive and balanced nutrition to consumers globally.

Zero Hunger

We can play a key role in helping people access sufficient amounts of the right nutrition while working with producers to sustainably intensify production and improve livelihoods

Good Health & Well-being

We work with customers to support good health and wellbeing and reduce mortality through creating products that help improve diets



Responsible Consumption and Production

We seek to use natural resources responsibly and through our innovation and technology portfolio, we enable our customers to consume and produce more sustainably

About this Review

[GRI 102: General Disclosures 2016, 102-50, 102-51, 102-52, 102-53]

Kerry reports its sustainability performance annually and our previous sustainability review was published as part of our 2019 Annual Report in March 2020. To help guide our reporting, the material in this report references the Global Reporting Initiative's (GRI) framework and within this review we identify where specific standards are GRI-referenced. All data relates to the full year 2020 unless otherwise stated. For environmental metrics, the impact of recent acquisitions is excluded from our performance and we use a 2017 baseline for our targets.

Our 2017 baseline was chosen as it provided the most recent full year of data when the target setting process commenced. The Greenhouse Gas (GHG), waste and water performance data presented in this report is independently assured by Jacobs UK Ltd to AA1000 Assurance Standard. The full assurance statement can be found on kerrygroup.com/sustainability. For comments or questions regarding this sustainability review, please contact corpaffairs@kerry.com.

Engaging with Our Stakeholders

[GRI 102: General Disclosures 2016, 102-40, 102-42, 102-43]

The nature of the challenges facing our industry and the required pace of change means that we must build a shared understanding and a common path forward. Kerry is committed to ongoing and constructive engagement with our stakeholders through structured two-way dialogue and analysis to ensure we incorporate their views into our business activities.

Through stakeholder analysis, we clearly identify those groups we impact on as well as those groups that can influence and impact on Kerry. We engage these key stakeholders through a variety of channels, many of which are tailored for specific stakeholder groups. These include one-to-one interactions, engagement with representative bodies and relevant multi-stakeholder platforms to clearly identify potentially impactful issues and groups.

Among our key stakeholders are employees, customers, consumers, shareholders, suppliers, communities and government. We understand that among and within these groups, there can be different and sometimes conflicting views. As part of our engagement, we seek to balance these competing interests and respond in a way that maximises the value for all those connected with the organisation. For more detail on key issues raised by stakeholders, see pages 98-101.



Edmond Scanlon, Chief Executive Officer Kerry Group, presenting at the 2020 Global Food Safety Initiative Conference.

Stakeholder Groups



Defining our Material Topics

[GRI 102: General Disclosures 2016, 102-46, 102-47]

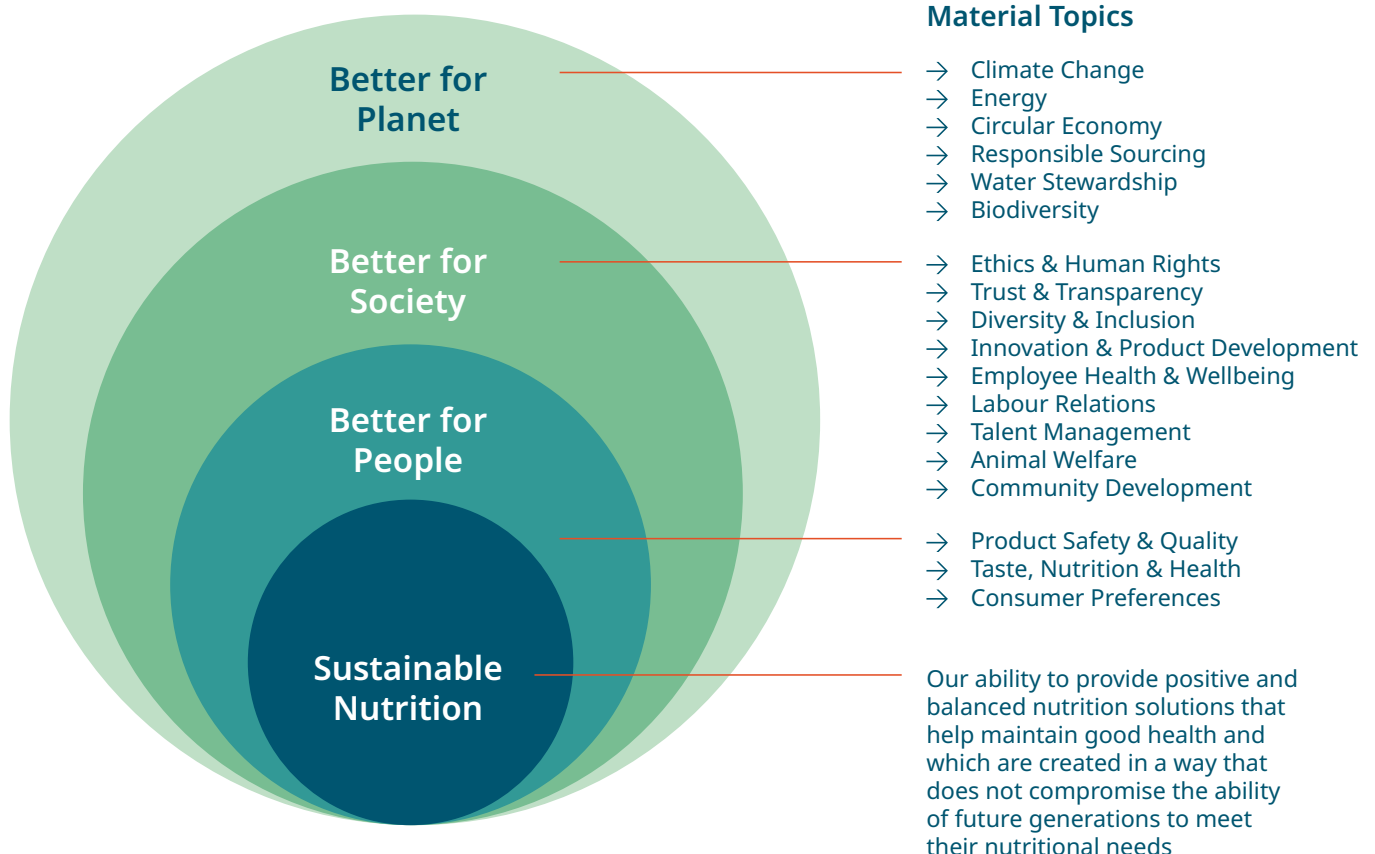
Our material topics are defined through a structured process that assesses issues, risks and potential outcomes, and considers their importance in influencing the decision making of key stakeholders as well as their importance to Kerry's business performance and wider social, environmental and economic impacts.

Since 2018, in consultation with external parties, we completed a comprehensive materiality assessment and a portfolio evaluation as critical inputs and a guide for the development of our *Beyond the Horizon* strategy, with its better for people, better for society and better for the planet commitments and goals.

We review and identify topics through our continuous stakeholder engagement to update our materiality assessment on an ongoing basis. Most notably in 2020, there has been a very significant focus on employee and consumer health and wellbeing while areas such as climate, human rights and biodiversity continue to gain momentum.

We have outlined below how each relevant material aspect fits within our *Beyond the Horizon* strategy. Topics of growth, geo-political risk and regulation go beyond this review and are dealt with across other sections of this report. All of these topics are reviewed as part of the broader risk assessment process, and further details on the Group's principal risks is outlined in the Risk Management Report on pages 71-83.

Beyond the Horizon



Ensuring Effective Governance

[GRI 102: General Disclosures 2016, 102-18]

Following the launch of the sustainability strategy, *Beyond the Horizon*, in 2020, the governance structures on sustainability were strengthened. The Governance, Nomination and Sustainability Committee of the Board will now have responsibility for guidance and oversight of the implementation of the Group's sustainability strategy and will be supported in this work by the Global Sustainability Council. In addition, sustainability metrics will form part of the long-term incentive plan for executive directors and senior executives from 2021, as outlined in the Directors' Remuneration Report on page 136.

The Sustainability Council, chaired by the Chief Executive Officer, comprises the Executive team and functional leaders from across the Group. It meets quarterly to review and monitor the effectiveness of the Group's strategy and to discuss ongoing performance versus goals.

In 2020, a key focus for the Sustainability Council has been the completion and launch of the *Beyond the Horizon* strategy and the further integration of sustainability as part of Kerry's day-to-day operations. To support the strategic steering and management of the Sustainability Council, a number of cross-functional councils have also been established based on key themes covering material topics. These councils are responsible for designing and executing projects and activities, developing and establishing best practices involving all functions and businesses and measuring performance. For more, see our Corporate Governance Report on page 94 and Governance, Nomination and Sustainability Committee Report on page 113.



External Recognition

At Kerry, we are proud to have our sustainability efforts acknowledged via credible independent assessment.

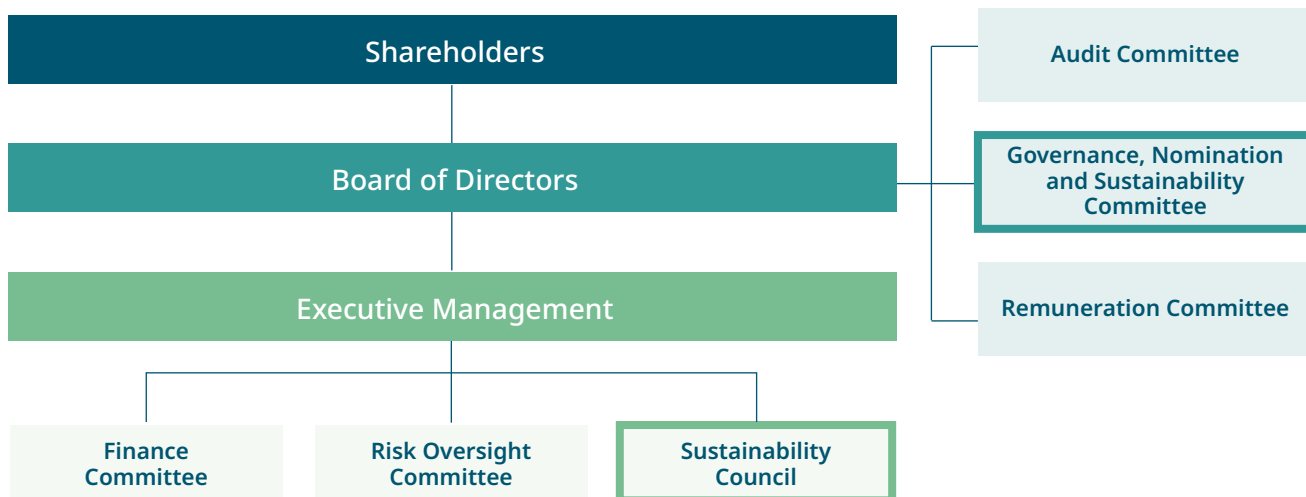
FTSE4GOOD: Kerry is a constituent of the FTSE4GOOD, which measures the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices.

MSCI: Kerry has maintained an MSCI ESG Rating of AA for its performance on Environmental, Social and Governance (ESG) issues since 2017.

ECOVADIS: A Gold rating through the EcoVadis sustainability assessment places Kerry in the top 2% of companies assessed by EcoVadis in our sector.

Origin Green: Kerry was named a Gold member of Origin Green, a status awarded to Irish companies demonstrating an exceptional annual performance on their sustainability targets based on the assessment by an independent verification authority.

Sustainability Governance



Non-Financial Reporting Statement

We comply with regulations on non-financial reporting and provide information on required topics across this report. Relevant information on each topic can be found below. In addition, non-financial risks are evaluated as part of the broader enterprise risk management framework and more detail can be found in our Risk Management Report on pages 71 to 83.

Reporting Requirements	Our Policies	Page Reference
Environmental Matters	Environmental Policy	Page 62
Social and Employee Matters	Health & Safety Policy; Group Code of Conduct; Diversity, Inclusion & Belonging Policy; Employee Concerns Disclosure Policy	Pages 57-59
Respect for Human Rights	Human Rights Policy	Page 57
Anti-Bribery and Corruption	Anti-Bribery Policy; Group Code of Conduct	Pages 57-58
Business Model		Pages 20-21
Non-Financial KPIs		Pages 30-31 and 53-68



Better for People



For many people, getting the right nutritional balance is a challenge. According to the World Bank, malnutrition is one of the world's most serious yet least-addressed challenges. The burden of malnutrition occurs when the right foods are not available, affordable, convenient, or they involve some compromise on taste, or other important characteristics, making them less desirable or accessible for consumers. The result is poor quality diets that prevent people reaching their potential or lead to obesity or the onset of illnesses such as heart disease and diabetes.

As the leader in Taste and Nutrition, our goal is to provide sustainable nutrition solutions for over two billion people by 2030.

Consumers are increasingly conscious of the link between diet and health and as outlined on page 25, the '&' consumer is seeking out products and brands that meet multiple requirements including their desire to make a positive impact on their health and the world around them. As food and beverage manufacturers seek to respond to these changing consumer preferences, demand for partners who can support them in creating products that deliver more sustainable nutrition is growing.

At Kerry, we are ideally placed to help improve the accessibility and availability of healthy foods for all.



Enhancing Nutrition for Consumers

We define sustainable nutrition as the ability to provide positive and balanced nutrition solutions that help maintain good health and are created in a way that does not compromise the ability of future generations to meet their nutritional needs.

At Kerry, we are ideally placed to help improve the accessibility and availability of healthy foods for all, helping our customers overcome the challenges they face. Through our unique capabilities and solutions portfolio, we co-create products that deliver better nutrition for consumers with no compromise on taste. Our application expertise and delivery systems allow us to bring tasty, convenient and familiar food to the consumer, increasing the availability of nutritious options with positive health benefits.

To highlight the role of Kerry as a sustainable nutrition partner for the industry, we have profiled the nutritional contribution of our ingredients portfolio. In the absence of an existing measurement framework to evaluate ingredients, our scientific experts developed a rigorous methodology based on the independent and externally validated UK nutrient profiling model. It allows us to assess and classify the nutritional contribution of each solution to a final consumer product. We have used very stringent criteria and do not allow for any offsetting in order to provide an objective and transparent result.

Our assessment shows that more than 80% of our Taste & Nutrition portfolio is already delivering positive or balanced nutrition solutions for over one billion consumers today. Over the next ten years, we will increase the impact from our portfolio, through innovation and partnerships, creating sustainable solutions that will reach more than two billion people. Given the strength of our portfolio and its potential for positive impact, we aim to bring these solutions to as many consumers as possible, helping us to fulfil our Purpose of Inspiring Food, Nourishing Life.

In 2020, we continued to expand our impact and despite the challenging context, we increased our reach with positive and balanced nutrition solutions by more than thirty million to over one billion people. This growth was driven by the increase in positive nutrition solutions within our portfolio and our geographical expansion in developing regions.

>80%

Of our Taste & Nutrition portfolio is already delivering positive or balanced nutrition solutions for over one billion consumers today.

OUR COMMITMENTS IN ACTION

Integrated Solutions

Radicle™ by Kerry is a unique portfolio of plant-based ingredients and solutions that can help customers create and deliver sustainable products which are nutritionally optimised. With the ability to reduce saturated fat by up to 87% versus meat, our technology also helps customers to create low carbon products with cleaner labels, authentic taste and appealing texture.



Consumer Brands

Within our Consumer Foods division, we are also focused on helping consumers access better nutrition, as we work towards the achievement of category specific targets for salt, sugar and calorie reduction. Over the last five years, we have made continuous progress on nutritional improvement across our brands and in 2020, we relaunched our Dairygold spread with 27% less salt and converted the product packaging to make it 100% recyclable.

OUR REACH

By 2030, our ambition is to reach over two billion people with positive and balanced nutrition solutions. Our approach to calculating this reach was developed in partnership with independent third parties and combines the outputs from our industry leading nutritional assessment with external market data and Kerry's business insight. We use a bottom up model taking information by country and end use market and eliminate potential double counting through the application of accepted statistical methods.



Enabling the Transition to Healthier, More Sustainable Diets

We understand that not all products contribute to providing positive nutrition as consumers will continue to seek out permissible indulgence as part of a healthy lifestyle. We work with customers and products that span the entire nutritional spectrum and our goal is to support our partners on their nutrition and broader sustainability journey, helping them to positively impact their product portfolio and create products that are better for consumers.

Taste remains the key driver of consumer purchase behaviour and we know that creating nutritious products that do not satisfy consumer desires for great taste, will not win in the marketplace. Kerry's business model and positioning at the intersection of taste and nutrition provide us with the unique ability to deliver tailored customer-specific solutions. This capability, together with our reach and broad portfolio of foundational technologies is what will allow us to make impactful change at scale.

Our Sustainable Solutions

Our natural Tastesense™ taste modulator reduces sugar to improve nutrition while also delivering lower greenhouse gas and water impacts. Our customers leverage Tastesense™ to reduce up to 30% of sugar in their finished products without sacrificing taste. Furthermore, this technology can reduce embedded CO₂ emissions and water use in the final product. For more see kerry.com/sustainability/solutions.

KHNI Kerry Health and Nutrition Institute™

Kerry Health and Nutrition Institute: Science for Healthier Food

The Kerry Health and Nutrition Institute (KHNI) was established to share Kerry's scientific expertise and to advance awareness of the science of healthier food. Supported by an independent Scientific Advisory Council, KHNI is enabling those within the sector to acquire new knowledge from our scientists, academics and other experts, as they explore challenges in the food and beverage industry.

This digital hub of scientific know how provides in-depth articles, webinars and white papers, written for those working in the food industry, by experts within the food industry. To date, KHNI has published more than 225 in-depth articles, 18 white papers and led 13 industry webinars that have attracted thousands of viewers from over 50 countries and over 250 of the world's largest CPG companies, academia and public health institutions.

In 2020, the focus of these webinars was increasingly aligned with our vision, with content focused on challenges and opportunities within plant protein, food waste and fermented food science. For information see khni.kerry.com.

225+

Published in-depth articles

At Kerry we are shaping a more sustainable future for food and beverage through innovation.

Leading with Innovation for Sustainable Future Outcomes

The changes required within our food system will only be achieved through new approaches and at Kerry we are shaping a more sustainable future for food and beverage through innovation. We create solutions that are healthier and more sustainable by design and continue to integrate sustainability criteria in our product development process.

Already home to the industry's leading portfolio of integrated taste and nutrition technologies, our innovation programme brings together Kerry's unrivalled global capabilities to create solutions that meet consumer needs and preferences. Uniquely, almost 90% of our portfolio is naturally derived and we maintain a focus on developing solutions that are from-food-for-food. In 2020, we invested a further €282m in research, development and application to ensure we remain at the forefront of sustainable nutrition. For more see Our Markets pages 24-25.

Our approach is reinforced by the growing interest among our customers for new concepts that deliver on consumer demand for healthier products with lower environmental impacts. In 2020, we were proud to join the Sodexo Future Food Collective, an initiative that brings together experts from the food industry around a range of topics including health and wellness, plant-based innovation and more. The platform also leverages the strengths of the Food for Climate League, a non-profit organisation dedicated to making sustainable eating more accessible.

90%

Of our portfolio is naturally derived and we maintain a focus on developing solutions that are from-food-for-food.

€282m

Invested in research, development and application to ensure we remain at the forefront of sustainable nutrition.

Prioritising Quality and Food Safety

Safety First, Quality Always is our company-wide commitment to ensuring the safety of our people and our products. We deliver the highest quality products, following rigorous food safety and quality end-to-end procedures from farm to fork. We incorporate robust preventative controls, sanitation, microbiological monitoring programmes, crisis management, continuous improvement through horizon scanning and embedding food safety best practices. Our governance, policies and due diligence programmes, are verified and refined in line with evolving customer requirements and Global Food Safety Initiative (GFSI) standards and we continue to participate in peer reviews and benchmarking with customers and industry leading organisations such as SSAFE.

We partner with suppliers operating in nearly 60 countries and mandate strict compliance with the quality and food safety requirements laid out in the Group's Supplier Requirements Manual. Our Supply Quality team risk assess all direct suppliers and in 2020, had engagement with 1,600 suppliers across all regions to identify impacts from COVID-19 and potential supply chain disruptions, conducting 820 physical audits, while maintaining the highest levels of health & safety for our colleagues.

Across all our operations, we have designed and implemented a Global Quality Management System and all our sites are certified to the GFSI standard for food safety. Our dedicated quality teams also partner with our RD&A teams in ensuring quality and food safety are key considerations throughout the development and production process.

Product Labelling

As a predominantly B2B business, most of our marketing and communication is not directed to consumers, however, our customers rely on timely and accurate information around the handling and use of our products for the creation of safe products for their consumers. Clear labelling and dedicated marketing and customer care teams provide required product information, while specialist regulatory colleagues act as an expert resource supporting our customers on product specifications, claims and relevant regulations across different global markets.

Within our Consumer Foods division, all advertising and brand positioning conform to national advertising codes of practice and we are conscious of the potential impact of marketing to children and young people. We provide on-pack nutritional labelling and additional information services e.g. brand websites, to help consumers make informed choices. The Group has established best practice guidelines for nutritional labelling across our portfolio, in line with Food Information to Consumers legislation, and support the voluntary addition of front-of-pack 'Reference Intake' information to aid consumer choice.

Better for Society

Improving nutrition and health supports a broad social agenda, helping to deliver on many of the UN SDGs.



Improving nutrition and health supports a broad social agenda, helping to deliver on many of the UN SDGs. While our critical impact areas are goals 2, 3 and 12, we know that how we produce our products can support many more of the seventeen goals. Against a backdrop of rising economic inequality and deepening social tension, we aim to contribute to a society that is fair and just and where everyone has an equal opportunity to participate. While we recognise that this is an area where governments must lead, we believe that our industry can play a key role in promoting human rights, supporting education and training and creating more resilient and inclusive communities.

At Kerry, we demonstrate this first and foremost through how we operate. Doing business with integrity is a fundamental priority and the foundation of our long-term success. We are committed to living our values and enhancing the lives of all those with whom we engage, including our employees, across our broader value chain and within the communities around us.

We aim to contribute to a society that is fair and just and where everyone has an equal opportunity to participate.



We conduct our business guided by our purpose and underpinned by our values.

Doing the Right Thing

[GRI 102: General Disclosures 2016, 102-16, 102-17]

Business results must always be achieved ethically and legally. We conduct our business guided by our purpose and underpinned by our values, and the Group's comprehensive Code of Conduct clearly defines the standards and expectations for all Kerry colleagues. It sets out how we respect each other, live our values, protect our assets and obey the law. The policies behind the code provide clear guidance for our daily interactions and are reviewed annually. The ongoing responsibility for their implementation rests with the Executive team, supported by relevant functions including HR, Legal and Internal Audit.

The Code of Conduct is available in multiple languages and applied to all aspects of business across the Group. All colleagues are required to familiarise themselves with this code on joining Kerry and we mandate ongoing training thereafter through our Learning Academy, on at least a bi-annual basis. 85% of all eligible colleagues had achieved Code of Conduct certification by year end 2020.

Where employees have concerns about business conduct, the Group provides clear guidance on reporting. The Employee Concerns Disclosure Policy details the appropriate means of reporting alleged misconduct. It encourages employees to speak up if they believe something is not right and is clear about the protection afforded to whistleblowers. To facilitate anyone who wishes to express a concern, the Group operates an ethics hotline, through which employees and third parties can report an issue anonymously (www.kerrygroup.ethicspoint.com).

In 2020, we continued to monitor and investigate all reported issues via this 'Express a Concern' facility. In the period there were approximately 0.3 cases reported per 100 employees (which includes a small number of reports from external parties) with 84% of concerns reported relating to internal HR matters. The Board continues to review the effective operation of this facility and the related reports on an ongoing basis. Further details are outlined under 'Whistleblowing Arrangement' in the Corporate Governance Report on page 102. We also seek to extend our values on ethical business practice to those with whom we do business and our requirements are reflected in our Supplier Code of Conduct.

[Read More →](#)

[Corporate Governance Report](#)
Pages 94-106

[Our Purpose and Vision](#)
Pages 4-5

Upholding Labour and Human Rights

[GRI 407: Freedom of Association and Collective Bargaining 2016; GRI 408: Child Labour 2016; GRI 409: Forced or Compulsory Labour 2016; GRI 412: Human Rights Assessment 2016, 412-1]

We are fully committed to upholding internationally recognised human rights. Kerry's Global Human Rights Policy reflects this commitment and is guided by the Universal Declaration on Human Rights and the International Labour Organisation's Fundamental Principles and Rights at Work. The policy outlines our commitment to respect the rights and dignity of all people, complying with all applicable laws and regulations and conducting ongoing human rights due diligence to assess and mitigate potential human rights infringements.

Kerry's Code of Conduct and Human Rights Policy applies to all employees and sets out our expectations for business and supply chain partners to conduct their business in a way that upholds our standards. In 2020, we established a dedicated cross-functional team on human rights. Reporting to the Chief Human Resources Officer, its objective is to further integrate the Group's commitments across our operations and supply chain. We also published a detailed Human Rights Statement outlining our approach and identified a number of salient human rights issues including forced labour, child labour, discrimination and freedom of association. We have dedicated policies and due diligence processes in each of these areas across all our operations and protections mandated within our Supplier Code of Conduct for workers within our supply chain.

All sites are registered with the Supplier Ethical Data Exchange (SEDEX) and through this platform we complete a detailed assessment aligned with the key issues outlined above. In addition, we continue to pursue independent SEDEX Members Ethical Trade Audit (SMETA) or equivalent audit protocols across our sites. Across our supply chain, our Supplier Code of Conduct is explicit in demanding that those who seek to do business with the Group uphold the same high standards and it expressly forbids the use of child, forced or involuntary labour of any type. Our responsible sourcing team provides training to all our buyers globally on risks relevant to their categories and on new requirements for suppliers to address these. We have also provided our buyers with access to tools that help them understand and assess key risks associated with the commodities they source.

We use SEDEX to assist us in monitoring compliance across our supply chain and for global contracts, over 92% of vendors are registered with this platform. We recognise that human rights infringements can occur at any point in the value chain and achieving visibility across a broad global supply base is a challenge. We take a risk-based approach to supplier assessment, focusing on commodities and/or geographies where there is a greater likelihood of non-compliance with our standards. To enhance and expand our due diligence process, we began to revise our assessment criteria, bringing additional suppliers within scope for assessment in 2020. This work is ongoing and we expect to complete it in 2021.

For those vendors identified as high risk, we mandate SEDEX membership to support our assessment. Under our Supplier Code of Conduct, Kerry reserves the right to conduct independent audits to confirm compliance with our requirements. In 2020, 68% of our high-risk suppliers were registered with SEDEX and 36% of these had independent SMETA audits in place.

For more details on how we work on human rights and labour issues at farm level, see our responsible sourcing section on page 69.

Fighting Bribery and Corruption

[GRI 205: Anti-corruption 2016, 205-1a; GRI 415: Public Policy 2016, 415-1]

As part of the Group Code of Conduct, Kerry's Anti-Bribery Policy describes our zero-tolerance approach and provides guidance to all employees regarding potential situations involving bribery. Kerry does not provide financial support for political parties and our policies and procedures on fraud, anti-money-laundering, fair competition and engaging with Government officials, all support Kerry's efforts to ensure that corrupt practices do not form part of our business relationships. We also convey our requirements on this issue to our suppliers through the Group's Supplier Code of Conduct.

We have tailored communications and learning programmes on this issue which form part of mandatory training requirements for all colleagues globally. Internally, we ask questions on bribery and corruption of each business unit as part of the ongoing assessments undertaken by the Group's Internal Audit Team. Assessment on areas aligned with our Code of Conduct, including ethical business practice, form part of the SEDEX questionnaires across all sites.

Ensuring Workplace Health & Safety

[GRI 403: Occupational Health & Safety 2018, 403-1b, 403-2a, 403-5]

The health & safety of employees, contractors, customers and other visitors across all locations is of paramount importance to the Group and Kerry's priority in the face of COVID-19 remains the safety and wellbeing of our employees and other stakeholders in difficult circumstances.

Safety excellence is the responsibility of all individuals throughout the organisation. From our CEO to frontline employees, we all contribute to building and sustaining an organisational culture that prioritises safety.

We are designing and adapting our processes for greater safety, with implementation led by the Global Health, Safety and Environmental (HSE) team.

Our Health & Safety Policy and management system establish standard requirements and define consistent ways of working across our businesses. These standards are non-negotiable and apply to everyone working at Kerry. We are clear on responsibilities and senior level accountability, as well as responsibilities for all colleagues to work safely and challenge any unsafe behaviour.

Through promoting and monitoring continuous improvement, we are designing and adapting our processes for greater safety, with implementation led by the Global Health, Safety and Environmental (HSE) team. These specialist colleagues provide advice and guidance to managers and employees across our sites, focusing on employee engagement and behaviour based safety programmes to realise our goal of Safety First, Quality Always.

Kerry also continues to develop its proactive safety programmes, creating channels for employees to speak up and act immediately once they identify safety hazards or potential improvements. In 2020, we placed an emphasis on serious incidents through deployment of a targeted training and awareness programme and are pleased to see further positive momentum in our health & safety performance. A focus was also placed on root cause analysis and investigations of all types of injuries and near misses ensuring that best practices and corrective actions are implemented throughout all Kerry locations globally. While we recognise that there is no acceptable level of accident or injury, we are pleased to report that there were no fatalities and we recorded a 5% reduction in total incidents versus the previous twelve months.





Promoting Diversity, Inclusion & Belonging

We understand that diversity is good for business performance and is extremely important to both our internal and external stakeholders. We want our workforce to reflect the society in which we operate and to offer opportunities for all colleagues without discrimination. As a result, diversity, inclusion and belonging is embedded within our core values, making it central to how we operate our business. Our Group diversity, inclusion and belonging and non-discrimination policies document this approach and help to clarify expectations for all colleagues.

We are continuously striving for a more inclusive workplace and as part of our *Beyond the Horizon* strategy, we have developed a metric for inclusion that will help us measure our improvement. Derived from our employee engagement survey, this 'Inclusion Index' will be directly related to our employee experience and will provide an informed view on our progress over time. We believe this structured approach will accelerate our journey to fostering the healthiest and most inclusive culture, one that is aligned with our Kerry Way framework and supports our ambition to be first choice for the best talent. We will establish a baseline for this new metric from our 2021 engagement survey and will provide detail on progress in future reports. As part of our ongoing work on inclusion, we also continue to increase the representation of women in senior leadership roles across the Group. In 2020, this increased from 25% to 28%, putting us in a strong position to deliver on our target of 35% by 2025. For more detail see Our People on page 17 and the Governance, Nomination and Sustainability committee report on pages 115-116.



Diversity, Inclusion and Belonging is embedded within our core values.

Our goal is to create an exciting environment for employees to help them realise their career ambitions and create a pipeline of industry experts and future leaders for sustained success.

Fostering Talent

At Kerry, we recognise that in order to achieve our business goals, we must continuously invest in our people through a structured approach to talent management. Our goal is to create an exciting environment for employees to help them realise their career ambitions and create a pipeline of industry experts and future leaders for sustained success.

The MySuccess platform provides a mechanism for our people and managers to discuss performance, development needs and career progression with ongoing feedback and coaching, as well as formal year end reviews. Training or development needs identified as a result of this two-way process are supported through the Kerry Learning Academy, which facilitates the provision of tailored and more general learning solutions across the organisation. These solutions include a blend of classroom, virtual and interactive content that provides instruction, develops skills, stimulates discussion and encourages collaboration. From structured graduate training through to leadership development or technical and functional programmes, our people have invested in their development through the completion of over 247,500 courses during 2020.

For more on Talent and the employee experience, see pages 16-19 of Our People.

247,500

Our people have invested in their development through the completion of over 247,500 courses during 2020.

Nourishing Communities

[GRI 413: Local Communities 2016, 413-1]

Building on our long history of local community support, we engage through employee volunteering programmes and with partners in emerging countries where Kerry does not have a presence to reach and impact directly.

In 2020, global communities were severely tested by the COVID-19 pandemic and this mobilised actions by our employees to support both individuals and community groups in need. In support of these efforts, Kerry launched a global MyCommunity programme, mobilising our resources and expertise while facilitating employees to volunteer with locally-led community initiatives which directly supported food, nutrition and health needs.

The response from our colleagues has been inspirational and around the world, Kerry employees have volunteered their time and talents to support and nourish their communities. Together we have supported, participated and contributed to over 110 initiatives, from local food relief, to deliveries of food to vulnerable groups, providing Personal Protective Equipment (PPE) for frontline workers and producing hand sanitiser. To date almost three quarters of the €1 million pledged to the programme has been deployed in support of local communities.

MyCommunity

Improving Nutrition within Communities

We continue to work with community partners on redistribution of food to those in need. In 2020, Kerry Foods donated the equivalent of over 1 million meals to FareShare from 14 manufacturing sites across the UK.

Protecting Health During COVID-19

At our Barueri site in Campinas, employees stepped up during the COVID-19 crisis to produce alcohol for use as sanitiser by a local hospital, serving more than two thousand people daily.

Alongside this work we have continued to partner with world leading organisations such as Special Olympics, UN World Food Programme (WFP), and Concern Worldwide, helping them to tackle exclusion, poverty, hunger and malnutrition in some of the world's poorest regions. Through these programmes we seek to make a lasting impact on individuals and communities most in need.



supported by

KERRY

Creating Sustainable Futures with World Food Programme (WFP)

In 2020, we were delighted to see the World Food Programme's work recognised with the award of the Nobel Peace Prize for its efforts to combat hunger. Since 2017, we have been partnering with WFP on Project Leche in Honduras, leveraging Kerry's dairy heritage and nutritional capabilities to assist smallholder farmers with milk production, ensuring more sustainable dairy products are included in WFP's Homegrown School Meals programme.

Our 2020 impact report highlights some key community achievements that Project Leche helped contribute to:

- Milk production levels doubled on project farms
- 7,600 children in 178 schools benefitted from nutritionally enhanced meals
- Improvement in physical growth and a reduction in child stunting of 18.5%
- Lower rates of wasting among schoolchildren down from 8.1% to 1.5%, with no children presenting severe wasting by end of project.

To build on the positive outcomes of this programme, in 2020 we extended our partnership with WFP and commenced a new project in Burundi.

The goal of this joint programme, Project Amata (which means 'milk' in Kirundi), is to contribute to the improvement of food security and nutrition through strengthening of the milk value chain across the Gitega province and beyond in Burundi.

7,600 x2

Children in 178 schools
benefitted from nutritionally
enhanced meals

Milk production
levels doubled
on project farms



CONCERN
worldwide

supported by **KERRY**

Fighting Malnutrition with Concern Worldwide

For the last 3 years, Kerry, in partnership with Concern Worldwide, has been working to improve nutrition and food security for local communities in Niger as part of the RAIN (Realigning Agriculture to Improve Nutrition) programme. RAIN is a multi-disciplinary programme that aims to identify sustainable, scalable and replicable solutions for prevention of malnutrition. Through the RAIN programme, we continue to generate significant improvements across a number of key areas, including:

- Training farmers on conservation agriculture
- Development of wells and kitchen gardens to increase vegetable production
- Creation of savings and loans groups to build resilience and
- Screening of over 500 children for malnutrition.



**Special
Olympics**

supported by **KERRY**

Encouraging Inclusiveness with Special Olympics

Our ongoing work with Special Olympics empowers individuals with intellectual disabilities by helping to nourish their potential. Kerry proudly partnered as an Official Sponsor of Special Olympics in 2018, with the aim of working together to create more inclusive communities and empower individuals with intellectual disabilities. In 2020, we renewed our partnership, with a focus on the Special Olympics National Programmes in Ireland, Great Britain, Poland and Germany. Our support extends beyond the sports field via the Special Olympics Athlete Leadership programme, which champions the potential of people with intellectual disabilities.

Since our initial partnership, Kerry is proud to have worked with Special Olympics to create positive outcomes, including:

- Supporting 6,539 athletes to train and compete in the 2022 Special Olympics events
- Helping Special Olympics Athlete Leaders with skill development, empowerment and athlete advocacy
- Creating a sustainable pathway to employment for people with intellectual disabilities within Kerry
- Encouraging and supporting Kerry employees who actively volunteer and fundraise for Special Olympics.



6,539

Athletes supported to train and compete in the 2022 Special Olympics events

Better for the Planet

Through the *Beyond the Horizon* strategy, we are building on our achievements to date to address the key environmental impact areas across our business and value chains.



The current model of food production results in substantial environmental impacts, contributing more than a quarter of global emissions, using over 70% of freshwater withdrawals and driving further deforestation and biodiversity loss. We know too that food and packaging waste is having an impact on the environment around us as plastic finds its way into waterways and oceans, impacting on water quality and marine life.

Through the *Beyond the Horizon* strategy, we are building on our achievements to date to address the key environmental impact areas across our business and value chains. The Group's Environmental Policy outlines Kerry's commitment to carrying out activities in a responsible manner, complying with all applicable legislation, implementing good environmental practice and continuously improving our performance. To achieve these aims, we have set environmental targets across our facilities, and dedicated site colleagues, working with global specialists to identify and implement improvement projects across all regions. In some target areas we will accelerate progress more quickly while other improvements will come through multi-year capital investment. We continue to pursue independent certification of best practice under ISO 14001 and key energy users are accredited under ISO 50001. Kerry also has a comprehensive environmental monitoring and reporting framework in place across all sites and performance is reviewed by our operations teams and the Global Sustainability Council on an ongoing basis.

As the industry's innovation partner of choice, we will also continue working with our suppliers and customers, amplifying our impact across our operations and supply chains, sourcing more sustainable raw materials and ingredients and creating more sustainable solutions, allowing our customers to reduce their footprint and in turn create products that provide more sustainable nutrition to consumers.

Taking Action on Climate Change

[GRI 305: Emissions 2016, 305-1, 305-2, 305-4]

With increasing focus on the impacts of climate change, there is an accelerating emphasis on a global transition to a low-carbon economy. In 2020, we saw further evidence of this momentum, including increasingly ambitious national and corporate commitments. At Kerry, we generate greenhouse gas (GHG) emissions directly through the operation of our facilities (Scope 1), indirectly through the energy we purchase (Scope 2) and other activities such as the production of our raw materials by our suppliers (Scope 3). These emissions contribute to global climate change and the associated impacts on the environment and society. We understand that climate change presents both risks and opportunities for our business and we are progressively integrating the recommendations of the Taskforce on Climate related Financial Disclosures (TCFD) in both our climate strategy and our reporting.

Governance

The Group's Sustainability Council is the key governance body, defining Kerry's strategy on climate change and its integration within broader strategic decision making (page 50). As a supporting structure to the Council, there is a dedicated work stream on climate, led by the Chief Operating Officer where performance and programmes for achievement of our climate goals are kept under ongoing review. Our carbon performance is also reported internally to the Executive team alongside financial metrics and the climate data in this review is verified and assured by an independent third party. For more details, see page 48.

Strategy

Our climate strategy is focused on mitigating risks for our business and strengthening our resilience to climate-related impacts. Over the last decade, we have made significant progress reducing our Scope 1 and 2 emissions. We achieved this through a sustained focus on more carbon efficient production, investing in energy efficiency and switching to lower-carbon fuels. We will continue with these targeted programmes, together with broader communication and engagement plans to drive further action on this key theme and looking for innovation that can support a step change in our Scope 1. On Scope 2, we have made a commitment to switch to 100% renewable electricity across our entire operations by 2025.

To tackle our Scope 3 emissions, we will work with our suppliers to lower the carbon footprint of the raw materials we use. As we source thousands of raw materials globally, we do not underestimate the challenge associated with achieving this target. However, we have experience of working with suppliers on climate mitigation. As an example, we will introduce an innovative rewards programme for milk suppliers in 2021 to incentivise further emissions reduction at farm level.

At product level, we have undertaken an assessment of our portfolio to understand its contribution to our overall footprint and accelerate our response to market risks and opportunities. We continue to grow the revenue contribution of lower carbon products, particularly plant protein. Kerry can play a critical role as an enabler of sustainable nutrition for consumers and we continue to integrate sustainability criteria, including climate considerations, within our innovation and product development process. Across our business, we already have a range of technologies that can deliver significant carbon reductions for our customers, including CleanSmoke™, Tastesense™ and our leading portfolio of natural preservation technologies.

Climate Related Risks and Opportunities

The assessment of climate related risk is fully integrated into Kerry's enterprise risk management (ERM) framework and processes, which identify, assess, monitor and report on our organisation's risks (page 71). Potentially significant physical and transition climate-related risks and opportunities are outlined below and these will be further tested through scenario analysis.

Risk Description	Potential Impact	Mitigation
Physical risks resulting from climate change can be event driven (acute) or longer-term shifts (chronic) in climate patterns.	Extreme weather events have the potential to impact on sites of production and/or on processing and distribution infrastructure. Changing climate and levels of precipitation have the potential to directly impact production through access to adequate supplies of fresh water and indirectly through the availability and quality of key raw materials.	Business continuity and crisis management plans across our operations help to ensure we manage acute physical risks. We monitor chronic water risk as outlined on page 68 and procurement teams continuously assess any potential impacts on price, quality and availability of our raw materials.
Transitioning to a lower-carbon economy may involve policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. While the extent and speed of these changes are uncertain, these areas may entail the following potential risks for Kerry.	As governments seek to fulfil commitments made under the Paris Accord, there is a likelihood of increased carbon pricing mechanisms or policy instruments with potential to add additional cost for inputs such as energy. As customers and consumers seek out more sustainable products, there is potential for the advent of disruptive technologies that provide lower carbon alternatives, particularly in the area of protein. Amid growing demand for sustainable consumer products, customers are making increasingly ambitious commitments and favouring those partners who can support them with their transition. As awareness grows about the need for urgent action, failure to address and adapt to climate change poses a significant brand and reputational risk for all organisations.	We are committed to ambitious carbon reduction targets that align with the Paris Climate Accord and to achieving net zero emissions from our operations before 2050. Progress towards these goals will be achieved through a range of measures, outlined in the strategy above, that will help us to navigate these transitional risks. However, the potential impact is contingent on the speed at which these risks materialise. We see further momentum behind the shift to a lower carbon economy as global awareness and impacts continue to increase. In response, we are aggressively pursuing our carbon targets over the next five years.

Opportunity Description	Potential Impact	Leverage
We identify and capture opportunities presented by climate change and the transition to a lower carbon economy, both within our operations and across our broader value chain. We see particular opportunity in supporting our customers as they seek to adapt their products and processes in response to climate related risks.	Through a focus on greater resource efficiency, energy management and waste reduction, we see potential to lower input costs while delivering on our carbon targets. With greater uncertainty around the future of fossil fuels and continued investment growth across renewables, shifting towards cleaner energy sources offers the potential for cost savings over the longer-term. We see significant opportunity in leveraging both our portfolio and our innovation expertise across multiple end use markets, to support customers in the development of products and processes that meet evolving consumer demand and help manage their own transition risks.	With a range of solutions that already offer lower carbon outcomes for customers and consumers, we are well placed to take advantage of emerging opportunities from the transition to a lower carbon economy. Faced with the dual challenge of increasing food production while lowering global emissions, innovation will be central to our industry's response. As the innovation partner of choice to the world's leading food and beverage companies, we are ideally positioned to support our industry partners as they seek solutions to meet this challenge.

Metrics and Targets

We fully support the objectives of the Paris Accord and in 2020, our carbon target was approved by the Science Based Target initiative, confirming that it aligns with the objective of limiting average global temperature increases to well below two degrees Celsius. We have also declared our commitment to achieving net-zero emissions before 2050. Outlined as follows are details of these targets and Kerry's performance to date.



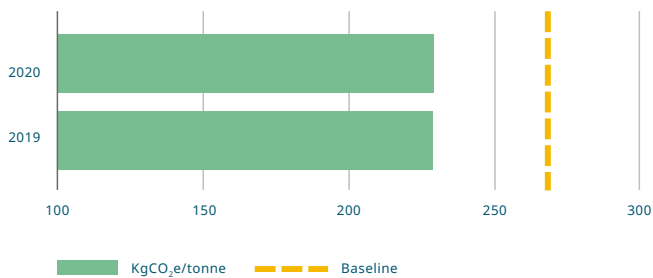
SCIENCE BASED TARGETS

Scope 1 & 2

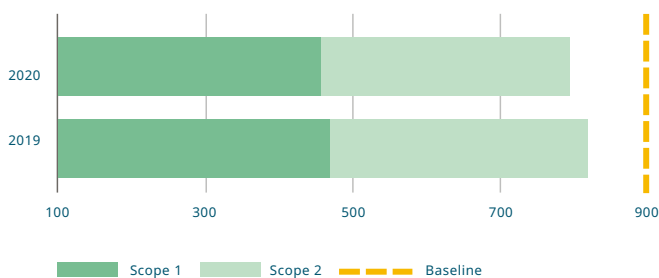
By 2030, we aim to reduce our absolute carbon emissions from our operations by 33%. In 2020, we continued to make good progress on carbon reduction, driven primarily by our increasing use of renewable electricity. In the period, our absolute emissions have been reduced by 17% versus our 2017 base year, putting us in a strong position to deliver on our 2030 target.

Carbon Performance

Carbon Intensity



000's Tonnes CO₂e



Notes:

1. Our measurement and target performance of Scope 1 and 2 emissions is from manufacturing facilities under our operational control accounting for 98% of Kerry's Scope 1 and 2 emissions.
2. We measure and report our performance in accordance with the GHG Protocol and emissions factors include UK Government GHG Conversion Factors for Company Reporting.
3. Our Scope 2 emissions are calculated using the market-based method.
4. Kerry's actual performance has been adjusted to reflect like-for-like performance compared to our baseline year. We use the NOVEM Methodology for carbon reporting to adjust our baseline target reduction number in order to account for changes to product mix that have had a material effect on carbon intensity.
5. Our carbon intensity is a relative measure of tonnes of CO₂ equivalents (CO₂e) divided by tonnes of finished product.

17%

Reduction in absolute Scope 1 and 2 emissions versus our 2017 base year.

Scope 3

As part of our science based target, we are committed to a 30% reduction in Scope 3 emissions intensity by 2030. Our Scope 3 emissions make up approximately 90% of our total footprint and as part of our science based target, we are committed to working with our partners to help address these. We have been calculating our Scope 3 emissions for more than five years and in many areas have programmes in place which are designed to reduce these, in areas such as business travel, employee commuting and with our suppliers.

With the development and publication of our Scope 3 target, we have begun to engage a greater proportion of our supply base to increase our impact. We understand that this will be challenging given our diverse vendor base and we are particularly focused on how we can collaborate with others on programmes designed to tackle emissions associated with agricultural production (for more see our approach on responsible sourcing on page 69). In 2020, we have been interacting with customers, suppliers and expert third parties on existing best practice, as we build our approach to engagement, programme development and reporting.

Adapting to Climate Change

The continuing trend of hotter, more extreme summers brought about by climate change is resulting in challenging growing conditions and reduced crop yields. For brewers this means higher input prices, as well as inferior quality grains for brewing and distilling. At Kerry, we have the technical expertise and portfolio of brewing ingredients and process aids to help brewers navigate these challenges and incorporate alternative raw materials and local grains while also delivering energy, carbon and water savings throughout the brewing process. For more, see [kerry.com/beverage](https://www.kerry.com/beverage)





We have committed to converting our electricity use to renewable sources by 2025.

Energy

[GRI 302: Energy 2016, 302-1, 302-3]

Energy is a key contributor to our operational emissions (Scope 1 & 2) and our approach to energy is a critical element within our overall carbon reduction strategy. As part of our *Beyond the Horizon* strategy, we have committed to converting our electricity use to renewable sources by 2025. In 2020, we made a strong start with 22% of our total needs met from renewables by year end. This has had an immediate impact on our footprint and puts us on track to achieve our target of 100% renewable electricity by 2025.

RE 100

In 2020, Kerry was proud to become a member of the RE100 initiative. Led by the Climate Group and in partnership with CDP (formerly the Carbon Disclosure Project), this global initiative brings together the world's most influential businesses committed to 100% renewable electricity.

Across our sites, we are focused on ways to improve energy efficiency including the adoption of the ISO 50001 energy management system by key sites. We also employ energy auditing across our facilities to help identify areas for action and focus our investment on projects that support our overall sustainable business objectives.

Energy Consumption (MWh)	2020	2019	2017
Direct Fuel Consumption (non-renewable)	2,241,963	2,308,088	2,241,906
Direct Fuel Consumption (renewable)	183,680	168,949	102,396
Electricity Consumption (non-renewable)	635,108	816,853	858,193
Electricity Consumption (renewable)	177,410	–	–
Heating	53,486	57,932	45,996
Total Energy Consumed	3,291,647	3,351,822	3,248,491
Energy Intensity ¹	0.953	0.940	0.965

¹ Energy intensity is relative measure using total energy consumed divided by tonnes of finished product.

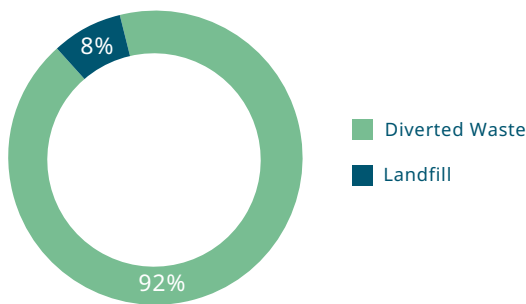
Adopting a More Circular Approach

[GRI 306: Waste 2020, 306-1, 306-2a]

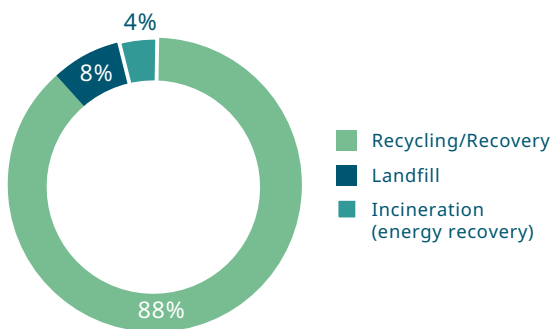
As the volume of waste materials accumulating in landfills and the wider natural environment increases, we are exploring ways to recover more surplus materials for re-use in our business and elsewhere. Significant waste impacts can occur at each stage of the value chain, from the production of agricultural raw materials, to their processing and the finished food and beverage products.

To address these impacts, our industry needs to transition away from the traditional linear model of take-make-dispose to a more circular approach where resources are kept in productive use for longer. Under the *Beyond the Horizon* strategy, we have placed our focus on the most material waste aspects within our operations, food waste and plastic packaging, while continuing to retain a focus on our overall waste intensity.

2020 Waste Recovery



2020 Waste by Destination



Landfill volumes include waste sent for incineration without energy recovery.

We aim to achieve zero waste to landfill, diverting resources and keeping materials in use for longer. In keeping with our unique from-food-for-food heritage and our commitment to creating natural solutions, more than 99% of the by-product we generate is non-hazardous and can be put to other productive uses in support of a more circular bioeconomy. In 2020, 92% of our waste volumes were diverted from landfill and we continue to implement programmes that will support us to realise our target.

92%

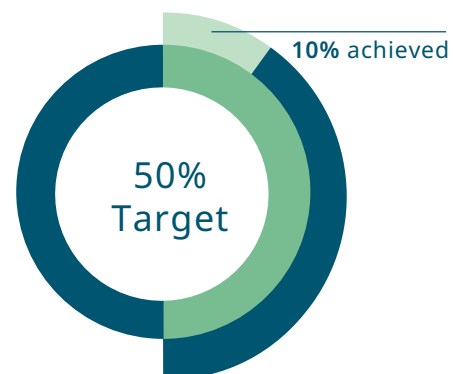
Of our waste volumes were diverted from landfill in 2020.

Halving Food Loss and Waste

As the world struggles to feed 10 billion people sustainably by 2050, estimated annual food loss and waste is projected to reach more than 2 billion tonnes by 2030¹. According to the Food and Agriculture Organisation (FAO) of the UN, one third of all food produced is lost or wasted, representing valuable resources and calories that ultimately do not provide any nutritional benefit. In addition to the economic loss, the contribution to environmental impact is significant, as evidenced by the associated GHG footprint, which represents 8% of total global emissions.

To tackle this issue, we have been working to reduce food waste from our operations as part of our broader efforts on waste. In 2020, we announced our commitment to halving food loss and waste across our operations by 2030. Given the diverse nature of our portfolio, the achievement of this goal involves working across sites to understand the key drivers of food waste locally and implementing the most appropriate actions to deliver on our targets. In 2020, we have performed well versus our goal with a 10% reduction versus our baseline. This has been driven by a focus primarily on food waste reduction and diversion strategies across sites. For example, in a pilot initiative across sites in the UK, teams have been engaging with customers to look at how working collaboratively on order fulfilment can meet their needs and prevent the creation of excess product that could end up as waste. Customer feedback from this initiative has been extremely positive and has supported our sites towards achievement of their targets. This approach will be expanded upon in 2021.

2020 Food Waste Reduction



¹ www.bcg.com/publications/2018/tackling-1.6-billion-ton-food-loss-and-waste-crisis

Supporting Our Customers

While tackling food waste across our operations is vitally important, there are substantial opportunities for Kerry to impact on the food waste elsewhere in the value chain, particularly downstream. In developed markets, the proportion of total food lost or wasted at the consumer level can be more than 60%. As consumers increasingly demand natural, clean label products that do not contain artificial preservatives, manufacturers are challenged to meet these evolving consumer demands, while maintaining or improving shelf life. With the industry's largest portfolio of clean label preservation technologies, Kerry is ideally placed to support our customers in meeting these requirements. For more on how we are helping customers reduce food waste see kerry.com/insights.

Tackling Plastic Waste

Of the 78 million tonnes of plastic produced annually, more than 70% ends up in landfill or finds its way into the natural environment, including our waterways and oceans².

At Kerry, we fully support efforts to promote a more circular approach to plastics and we have committed to making all our plastic packaging reusable, recyclable or compostable by 2025.

Since 2018, our Consumer Foods division has been leading our efforts to meet growing customer, consumer and regulatory demand for more sustainable packaging alternatives. This is a priority focus area, as the packaging we use has a critical contribution in maintaining product integrity and safety and in minimising food waste. As we innovate, we are finding new ways to overcome both the food safety and the environmental challenges. We have made very significant progress against our goals and today 85% of the packaging we use across our branded and private label consumer products is recyclable. We continue to look at ways to address the remaining volumes, with plans already in place for how we can tackle some of the more challenging plastic materials and packaging formats.

85%

Of the packaging we use across our branded and private label consumer products is recyclable.

We have committed to making all our plastic packaging reusable, recyclable or compostable by 2025.

Innovating with New Packaging Formats

In addition to product packaging we are also examining other areas where more sustainable materials can be introduced across our business. In 2020, we introduced our sustainable sample box packaging to replace polystyrene boxes. These new boxes contain 100% FSC certified, recycled cardboard and the insulation is made using natural sheep's wool.

Within our B2B operations, much of the plastic packaging we use is sent to organisations who, like Kerry, have strong waste management programmes in place and commitments in respect of environmental management. However, we recognise that we can support their ambitions on waste reduction and plastic through our choice of packaging materials. We use sustainable packaging where possible, favouring reusable, returnable, or certified paper-based material. We aim to meet our 2025 commitments for all plastic packaging to be reusable, recyclable or compostable and to reduce our use of virgin plastic across the Group by 25% over the same period.

Protecting Water Resources

[GRI 303: Water and Effluents 2018, 303-3a]

The fundamental importance of water means that access is internationally recognised as a basic human right, however, water availability is becoming less secure and predictable. More than two billion people live in countries experiencing high water stress and this situation will likely worsen as demand and the effects of climate change intensify³. Higher temperatures and more extreme weather conditions will affect availability and distribution, increasing scarcity in some regions while causing flooding in others.

At Kerry, water is vital to our operations, the production of our raw materials, and in some instances, the use of our products. Given the growing demand for fresh water, it is essential that we act to protect water sources and ensure equitable access to this resource for all users. Kerry's approach to water stewardship continues to evolve and building on our progress to date, we aim to improve water efficiency across our operations by a further 15% by 2025, while ensuring we protect water quality and broader access for communities where we operate.

² www.ellenmacarthurfoundation.org/explore/plastics-and-the-circular-economy

³ www.unwater.org/water-facts/climate-change/

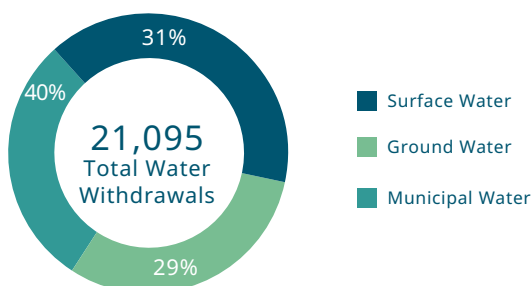
The overall volume of water we use has remained largely stable over recent years, as we continue to grow our business. Our progress on water efficiency in 2020 has been impacted by lower product volumes due to COVID-19, however, we achieved a 5% improvement versus our base year and remain well placed for the achievement of our 2025 reduction target.

Water Risk

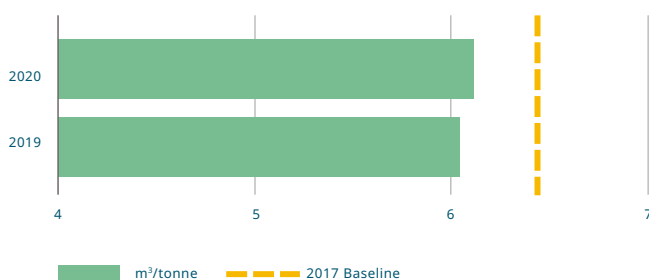
We continue to view our water footprint within the broader context of global water risk. Given the uneven distribution of water resources, some of our locations are potentially more vulnerable to physical water risk. Using the World Resources Institute's Aqueduct Tool, we identified 8 priority sites where we continue to monitor our footprint closely. In 2020, efficiency across these sites continued to significantly exceed that for the Group and is 28% lower versus our base year. However, we did see a marginal increase versus 2019, as a result of COVID-19.

As part of our *Beyond the Horizon* strategy, we have commenced a revised water risk assessment across all sites, looking at water consumption and related risks more broadly and we expect to update our priority sites in 2021, as a result of this review.

2020 Water Withdrawal by Source (Megalitres)



Water Intensity



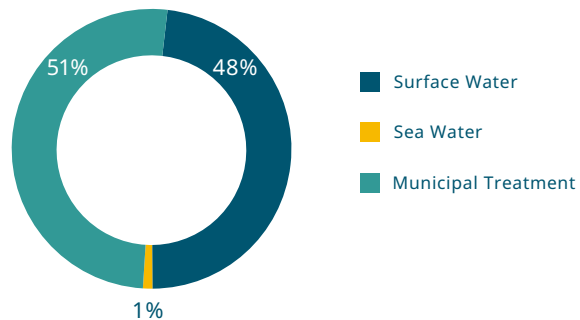
Notes:

Our target for water is a relative measure of metres cubed (m³) divided by tonnes of finished product produced.

Our data reflects water use across our manufacturing facilities and is a like for like performance versus our base year.

We also understand that water discharges from our sites can have an impact on local water quality and make every effort to ensure we protect local water sources. We track and monitor compliance with relevant water standards on an ongoing basis.

2020 Discharge by Destination



While the importance of water in our operations is clear, it is also vital for the production of our raw materials. As we have expanded our responsible sourcing goals (see page 69), we have assessed priority categories against a range of criteria, including water risk. As we work to achieve our goals, we will partner with suppliers on key aspects, including water, for relevant categories within our supply chain. In some instances, this will focus on areas of water scarcity while in others the focus may be on quality and access.

Protecting Water Quality

In Ireland, Kerry is engaging with its milk suppliers to help contribute towards improvements in water quality and to enhance habitats surrounding water courses. Our dedicated resources on water work directly with farmers, helping them to implement farm management practices and to assess infrastructure investments which will ensure water courses and aquatic environments are protected from potential sources of pollution. This includes the trialing of innovative new technology that provides real time data and creation of new decision support tools to assist with better and more timely decision making on farms.

Reducing Water Consumption for Customers

Kerry's CleanSmoke™ technology removes many of the harmful substances derived through conventional smoking. As well as these health benefits, the process is more efficient and consistent, resulting in significantly lower carbon emissions and lower water consumption. In fact, CleanSmoke™ can help processors reduce their water consumption by up to 88% versus conventional smoking methods.

Sourcing Responsibly

[GRI 308: Supplier Environmental Assessment, 308-2c]

Although the environmental impact from conventional agriculture is well understood, it plays a vital social and economic role and is essential for food security and biodiversity. Increasing evidence also suggests that the adoption of more regenerative agriculture practices can and must play an important role in the fight against climate change and in contributing to more resilient rural communities.

As one of the most powerful tools to end extreme poverty, agricultural development is also central to ensuring we can meet the UN SDGs and feed a population of almost 10 billion people by 2050⁴.

At Kerry, we know that the production of some of our raw materials can present social and environmental challenges. Addressing these challenges can prove difficult within a complex global supply chain and as part of our vision to create a world of sustainable nutrition, we are engaging with our direct and indirect suppliers



to drive more sustainable practices right back to farm level, ensuring that 100% of our priority raw materials are responsibly sourced by 2030. In partnership with our suppliers, we will work to ensure decent livelihoods for farmers, promote practices that protect and regenerate vital ecosystems, and protect the rights of workers and communities throughout our value chain. We will use a combination of certification and verification and where these mechanisms do not support the best path forward, we will work more directly with supply partners and expert third parties, including through direct engagement and programmes at farm level.

We map our priority supply chains and engage with our suppliers and other key stakeholders, both individually and as part of broader multi-stakeholder platforms, to better understand common challenges associated with specific commodities and/or geographies and how we can work together to effectively address these.

Details of our priority commodities, key challenges and our approach to address these are outlined below.

Key hotspots addressed within our responsible sourcing programme		AW	Animal Welfare & Antibiotic Use	D	Deforestation	WC	Working Conditions
		B	Biodiversity	H	Human Rights		
		CC	Climate Change	W	Water		
Priority Raw Materials							
Category	Our Approach						
Coffee Ingredients CC D H W	Working with suppliers, we will ensure that all coffee and cocoa ingredients purchased by Kerry address key challenges, utilising certification standards that achieve a rating of silver or equivalent under SAI platform's Farm Sustainability Assessment (FSA).						
Cocoa Ingredients CC D H W							
Dairy Ingredients AW CC D W	We source dairy ingredients right across the globe. Where we have a direct link with farmers in Ireland, we mandate certification for all suppliers covering critical areas within our milk pool. We are also members of the Sustainable Dairy Partnership, which seeks to drive global progress on the industry's most material themes by engaging key stakeholders in the sector.						
Egg AW	While this represents a very small part of our overall procurement spend, we are committed to sourcing from suppliers who ensure good animal welfare practices and will move towards cage free and/or free range eggs by 2030, implementing this on a regional basis.						
Herbs & Spices B H WC	We source only from processors chosen for their consistent high quality and proximity to local farming communities. Working collaboratively with industry partners through the Sustainable Spices Initiative (SSI) our goal is to further scale sustainability practices at farm level.						
Meat AW CC D	Our most significant meat categories are chicken and pork for use within our Consumer Foods business. For these categories we are focused on the contribution of feed production to deforestation and ensuring good animal welfare practices.						
Palm Oil B CC D H WC	We support the sustainable production of palm oil and are committed to the principles laid out by the Roundtable on Sustainable Palm Oil (RSPO). We continue to increase our volumes of physically certified palm oil and provide direct support for smallholders through improvement programmes at farm level via Project Ilham in Malaysia.						
Paper Packaging B CC D H	We ensure our paper packaging is sourced from suppliers that are committed to the use of raw materials obtained from responsible sources through the use of recognised certification standards (FSC, PEFC, SFI) and/or the use of recycled materials.						
Soy Ingredients B CC D H	We are committed to no deforestation across relevant value chains, including soy, by 2025 and to support the achievement of this goal we will require certification for all volumes originating from high risk areas.						
Vanilla H WC	Since 2014, Kerry has been partnering to build a more sustainable vanilla supply chain in Madagascar. Through the 'Tsara Kalitao' Project, we are focused on improving production practices and farm incomes, empowering women and providing better access to education.						

⁴ www.worldbank.org/en/topic/agriculture/overview



Origin Green Gold Membership

In 2020, Bord Bia (the Irish Food Board) introduced a tiered membership for its Origin Green programme, making it easier to identify members who are performing at a high level or excelling in their sustainability performance. At Kerry, we are proud to be among the first gold members of the programme. Key among our Origin Green initiatives is the work we do at farm level to ensure certification of all our milk volumes under the Sustainable Dairy Assurance Scheme and the carbon footprinting of all our supplying farms.



Protecting Biodiversity

Kerry has potential to impact on biodiversity directly through its operations and indirectly via the raw materials we source. Our most significant impacts are those that are linked to our supply chain and these are incorporated within our approach to our priority categories outlined above. Importantly, we have a no deforestation commitment across targeted supply chains which represent a high risk of deforestation and include Meat, Dairy, Soybean, Palm Oil, and Paper. We are a member of several multi-stakeholder initiatives focused on this area including RSPO, the UK Roundtable on Responsible Soy, Tropical Forest Alliance (TFA) 2020 and others.



Moving Forward

In what has been a challenging year, we are proud of our continued progress in the area of sustainability. The launch of our *Beyond the Horizon* strategy comes amid a new awareness of how global risks can impact on all aspects of business and wider society. It is a timely statement on our commitment to creating a more sustainable future for all, one that builds on our past success and leverages our core strengths to truly deliver on our purpose. It represents our increased ambition and reflects the urgent need for action to address very significant long-term challenges, while highlighting the critical role that Kerry will play in meeting these challenges as we continue to inspire food and nourish life.

Our commitment to creating a more sustainable future for all builds on our past success and leverages our core strengths to truly deliver on our purpose.

Risk Management Report

Effective risk management supports the delivery of our strategic objectives and the sustainable growth of our business.



Risk Management Approach and Governance

Effective risk management supports the delivery of our strategic objectives and the sustainable growth of our business. We regularly face business uncertainties and it is through a structured approach to risk management that we are able to mitigate and manage these risks and embrace opportunities as they arise. This has been particularly evident this year as we navigated our way through the challenges presented by the COVID-19 pandemic.

The diversified nature of our operations and geographical footprint, together with our broad portfolio of products, customers and suppliers are important factors

in mitigating the risk of a material threat to the Group's sustainable growth and long-term shareholder value. However, as with any business, risks and uncertainties are inherent in our business activities and may have a significant financial, operational or reputational impact.

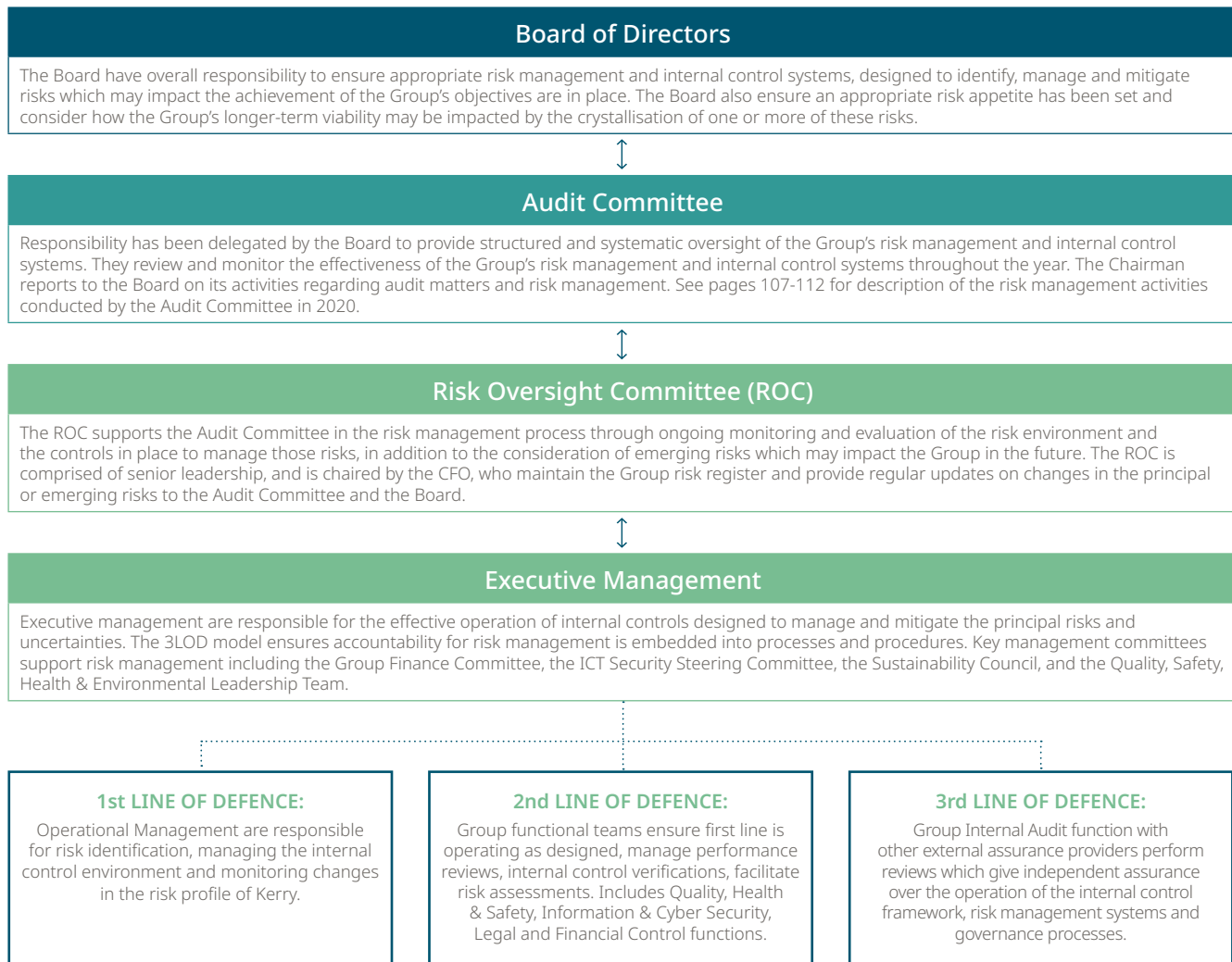
The Board has overall responsibility for determining the nature and extent of the principal risks the Group is willing to take in order to achieve its strategic objectives. On an annual basis, the Board agrees the principal and emerging risks facing the Group and a robust risk management governance framework is in place which enables the Group to effectively prioritise and manage risk to within our risk appetite levels. The Board carries

out a review of the effectiveness of the Group's risk management and internal control systems at least annually.

The Group's risk management governance framework has been designed using a three lines of defence (3LOD) model which has been implemented to ensure there is clear ownership and delegation of responsibility for the management and oversight of risk to support the appropriate flow of information throughout the Group.

An overview of the Group's risk management governance framework along with the key responsibilities within it is outlined in the diagram on page 72.

Our Risk Management Governance Framework



Enterprise Risk Management Process

Our risk assessment process incorporates a groupwide top down and bottom up evaluation to determine the likelihood of occurrence and potential impact of risks on the Group at a residual level. Input is obtained from senior business and functional management through a series of workshops, one-to-one interviews and surveys which are consolidated to produce the Group Risk Register. Our risk universe forms the basis of conversations and additional new and emerging risks are added, as appropriate, when identified. A standard risk scoring methodology has been devised to provide context and ensure consistency in reporting and evaluation of risks.

The output from this process is consolidated to determine the principal risks and uncertainties for the Group. Executive Management and the ROC review and validate these risks providing further input where necessary before submission to the Audit Committee and Board for final consideration and approval.

During the year we continued to improve our risk management processes initiating a programme of work to enhance our approach to defining risk appetite.



We engaged with Executive Management, the ROC, the Audit Committee and external subject matter experts to develop a methodology which encompassed a five-point scale ranging from 'Risk Averse' to 'Risk Seeking'. Each of our principal risks was assigned a score on this scale in addition to the articulation of a risk appetite statement. The Audit Committee and Board approved the risk appetite for each of our principal risks and in 2021 we plan to further enhance this reporting. For risks which may negatively impact our brand or reputation such as food safety and employee health & safety the Group is risk averse, but is more risk seeking and willing to pursue potential opportunities in relation to risks which will contribute towards our growth goals such as developing market expansion, acquisitions or capital investments.

Each principal risk is assigned an executive owner who is responsible for ensuring mitigating actions are sufficient to bring risks to within the agreed appetite and the 3LOD model ensures that these mitigations and internal controls are embedded and operate effectively throughout the organisation.

The annual Board and the Audit Committee agendas include a series of updates from risk owners in relation to the Group's principal risks. These updates include the history of the risk to date, key mitigating actions and controls, an outline of the residual risk and any future actions planned to address control weaknesses. During 2020, the Board and Audit Committee received updates relating to Business Acquisition and Divestiture, Taxation, Intellectual Property Management, Information Security and Cybercrime, Food Safety & Quality and Health & Safety risks as well as regular updates on Brexit and COVID-19.

The Audit Committee receive regular updates on risk management and internal control effectiveness from the Head of Internal Audit (HIA) along with agreed mitigating actions to resolve any weaknesses identified. The Audit Committee also received a report from the HIA and management following a review of the Group's second line of defence structures. This report identified some opportunities to strengthen the Group's risk management governance framework and work on these opportunities was initiated in 2020 and will continue to be a focus for the Group in 2021.

The Audit Committee and Board formally approved the principal risks and risk appetite and have confirmed in the Corporate Governance Report on page 106 that a robust assessment of the Group's principal and emerging risks was completed including those risks that could threaten the business model, future performance, solvency or liquidity of the Group.

Principal Risks and Uncertainties

The table on pages 76-82 describes the principal risks and uncertainties, which the Board have determined could impact the achievement of strategic objectives and have been identified through the risk assessment process, as well as the mitigating actions in place and an update on any change in the profile of each risk during the year. Additionally, each risk has been linked to the Group's strategies for growth and margin expansion as outlined in the Strategic Report on pages 26-28.

This table presents the Board's view of the Group's principal risks and uncertainties and is not an exhaustive list of all the risks which may impact the Group. There are additional risks which are not yet considered material, or which are not yet known to the Board, which could become significant in the future. Likewise, some of the current risks may reduce in importance as management actions are implemented or changes in the operating environment occur. The Board will continue to monitor risk in the context of growth through geographic expansion and ongoing acquisitions, as well as other changes in the external environment, which may create future risks.

Changes to Our Principal Risks

The Group operates in a dynamic environment and during the risk assessment process the Board consider if there are new risks which have the potential to disrupt, or if there are risks that no longer materially impact our ability to achieve our strategic objectives. The Board acknowledges that risks do not exist in isolation and that the crystallisation of one risk may have an intensification effect on other potential risks, significantly impacting the Group.

During 2020, the significant disruption caused by the COVID-19 pandemic increased the potential impact of many risks, including health & safety, ICT and cybersecurity, margin management and particularly our supply chain operations. As a result, Operational and Supply Chain Continuity risk has been included as a principal risk, recognising the importance of maintaining consistent and high quality supply and service to our customers.

Given the increasing focus on the impacts of social responsibility and climate change combined with the accelerating emphasis on a global transition to a low-carbon economy, sustainability/environmental risk, which was previously an emerging risk, has now been deemed a principal risk.

During 2020, significant work was completed to ensure the Group was prepared for the new trading relationship between the EU and the UK. Following the conclusion of the EU-UK Trade and Co-operation Agreement, Brexit is no longer considered as a standalone principal risk for the Group and any ongoing issues with regard to the movement of goods are considered as part of either Geopolitical/Developing Markets risk or Operational and Supply Chain Continuity risk.

The KerryConnect project, to roll out a common ICT solution and standard ways of working groupwide, has now been deployed to 84% of our manufacturing locations globally and remains on target to be substantially complete by the end of 2021. On the basis of this, it is no longer considered a principal risk for the Group. However, given the materiality of the sites within the 2021 deployment schedule, the existing project governance frameworks and processes will be maintained until the project is fully complete.

Emerging Risks

We define emerging risks as those that do not currently have a significant impact on the achievement of strategic objectives but may have a disruptive impact in the future. Emerging risks are considered as part of the risk assessment process and are identified through horizon scanning, continual dialogue with the business and keeping abreast of market and industry changes.

Following the annual risk assessment a number of risks are being monitored which could potentially impact the Group in the future, including: changes to the working model as result of the COVID-19 pandemic, ensuring a diverse and inclusive workforce, keeping pace with digital advancements and disruption to availability of water in water-stressed areas.

Management of Climate Related Risks

With our global presence and leadership position within the food and beverage industry, we are very aware of the increased global focus on the impacts of climate change and the accelerating emphasis being placed on transitioning to a low-carbon economy. We are very clear on the risks and opportunities presented by climate change and take a proactive approach to understanding the implications across our entire business portfolio.

The potential risk presented by climate change is recognised within our risk universe and was considered as part of our risk assessment process. The Board, in conjunction with the Governance, Nomination and Sustainability Committee, has oversight of our sustainability strategy, including our response to climate related risks, while Kerry's Sustainability Council is responsible for the ongoing achievement of specific climate related goals. Our climate strategy is focused on mitigating climate risks for our business and strengthening our resilience to climate related impacts. During 2020, the Board supported and approved the Group's sustainability strategy, *Beyond the Horizon*, with climate related commitments to achieve net zero emissions across our operations before 2050 and a Science Based Target for carbon that includes a 33% reduction in absolute greenhouse gas emissions from our operations (Scope 1 and 2) by 2030.

We acknowledge and support the objectives of the Task Force for Climate Related Financial Disclosure (TCFD) and are committed to aligning our reporting with its recommendations. For more see our Sustainability Review on pages 46-70 where key climate related risks and opportunities are discussed in more detail.

Our Response to COVID-19

The COVID-19 pandemic presented significant challenges for our business and has impacted our performance. We do not consider COVID-19 as just one individual risk but rather the amplifying effect it has had on a number of the Group's principal risks as well as highlighting the interdependencies that exist between many risks. Since February 2020, when the potential impact of the pandemic became apparent, the Board and Audit Committee have provided critical support and guidance to Executive Management.

At an early stage, the Group's crisis management protocols were invoked, and a Global COVID-19 Taskforce comprising of senior functional leadership and led by the Global Chief Operating Officer was established. This team was supported by local management teams in each of our regions. These teams led the overall Group response and through informed and timely decision making ensured that we were proactive in addressing the challenges which were presented. Learnings were shared across all regions and best in class protocols were implemented groupwide to ensure a consistent and robust control environment remained intact. The Chief Financial Officer led the Group's response to minimise the financial impact of lower volumes and higher costs as well as overseeing initiatives to further strengthen the liquidity position of the Group. Where required, additional mitigating actions were implemented to manage increased risk in other areas, including appropriate measures to ensure the protection of employees and increased cybersecurity awareness campaigns to respond to the heightened threats.

At an early stage, the Group's crisis management protocols were invoked, and a Global COVID-19 Taskforce comprising of senior functional leadership and led by the Global Chief Operating Officer was established.

Read More →

Find our *Beyond the Horizon* strategy at www.kerry.com/sustainability



We have managed, and continue to manage, our response to COVID-19, according to three priorities. We have prioritised protecting the safety and wellbeing of our people at all times, along with ensuring continuity of service to our customers and supporting the communities in which we operate.

Our People: safeguarding their safety and wellbeing

Kerry implemented best in class safety protocols to ensure the health and wellbeing of our people has been prioritised at all times including segregation and zoning, use of appropriate personal protective equipment, increased sanitisation measures and employee and visitor screening. Where possible remote working was encouraged, and the rollout of new software was fast-tracked to enhance collaboration and connectivity. Regular, consistent and transparent communication helped to minimise uncertainty and kept our people informed and supported. As well as the global employee assistance programme, wellbeing toolkits and additional training were made available to support employees through these challenging times. A full review of sick pay schemes was undertaken to ensure there was no unnecessary impact on our employees as a result of COVID-19 related absences.

We have prioritised protecting the safety and wellbeing of our people at all times, along with ensuring continuity of service to our customers and supporting the communities in which we operate.

Our Customers: ensuring continuity of supply and innovation

The Group has remained focused on ensuring continuity of supply for its customers as well as supporting and partnering with them as they navigate the disruption caused by the crisis. Our manufacturing and supply chain teams have responded with agility to dramatic shifts in demand patterns. In response to the changes in the marketplace, we collaborated with customers sharing expertise and insights on emerging consumer trends. To maintain customer engagement and collaboration on innovation projects, technology was leveraged to conduct commercial meetings and virtual product trials.

Our Community: supporting our local communities

When global supply was impacted, we shifted production to making hand sanitiser in a number of our facilities. Additionally, we donated and continue to donate PPE and sanitiser to front-line staff through our MyCommunity initiative and pledged 26,000 volunteer days and a €1 million fund to support local community initiatives.

As the Group navigates the ongoing challenges of the disruptive environment caused by the COVID-19 pandemic, prioritising the health and wellbeing of our people will continue to remain our number one priority. The agility and adaptability of our people supported by a dedicated management team allows us to continue delivering innovative solutions, sustaining global food supply chains and being our customers co-creation partner of choice.

Link to Strategic Priorities for Growth as per the Strategic Report and Risk Trend



Taste & Nutrition
Strategic Growth Priorities



Consumer Foods
Strategic Growth Priorities



Margin
Expansion Drivers



Risk is unchanged



Risk has increased



Risk has decreased

Risk	Description & Impact	Mitigation	Developments in 2020
Portfolio Management Strategic Risk Trend Link to Strategic Priorities 	The Group's overall growth and profitability is determined by the effectiveness of its commercial operating model and management of its portfolio across technologies, end use markets, geographies and channels. If the Group makes suboptimal investment decisions (capex, RD&A, M&A etc.) which are not aligned with the Group's long-term strategic objectives, then opportunities for growth and margin may not be maximised. Dramatic shifts in demand and consumption patterns as a result of the COVID-19 pandemic had the potential to impact the Group's ability to plan and manage its portfolio.	The Group's strategy and business plans are designed to ensure that resources are prioritised towards those technologies and markets having the greatest long-term potential for the Group. Post implementation reviews are undertaken for all major investment projects to measure returns and inform future investment decisions. Our integrated business model is differentiated in the marketplace through its ability to provide integrated solutions underpinned by its portfolio of foundational technologies. Investment in research and development, consumer insight and innovation enable the Group to stay ahead of ever-changing consumer preferences and provides foresight into future consumer demands and market and competitor intelligence.	Agile responses which were implemented to meet COVID-19 driven changes in demand patterns resulted in adapting our offerings across channels and categories. Continued progress was made in developing the Group's industry-leading taste and nutrition technology portfolio including enhancing our local taste, proactive nutrition and food protection capabilities. The Group continued to evolve and strengthen its operating model to ensure that it remains both fit for purpose to deliver on its strategic plan and responsive to changing marketplace dynamics and opportunities. Our capital investment strategy continued to focus on our strategic priorities for growth and was flexed to key growth areas which were accelerated as a result of COVID-19.
Geopolitical/Developing Markets Strategic Risk Trend Link to Strategic Priorities 	The Group is exposed to macro-economic and political risk resulting from our global footprint and our acquisitive growth strategy. The Group operates in a number of countries where the legal and regulatory environment is complex, currencies are volatile and trade policies and sanctions are subject to regular change. Security threats have also increased in certain regions which may threaten the security of our employees or our ability to operate. Failure to monitor and respond to change and volatility across the Group's markets may have a potential impact on the future growth and profitability of the Group.	Central and local legal, regulatory and compliance teams ensure adherence to applicable laws and regulations. Local management engage with local authorities and regulatory organisations. Rigorous due diligence is undertaken when entering or commencing business activities in new markets. The Group's portfolio is sufficiently diversified to mitigate exposure to localised risk. Group hedging is utilised to manage currency transaction exposures. Security situations are continually monitored in conjunction with an external partner.	The Group has invested in enhanced supply chain technology solutions to support EU-UK trade in the post Brexit environment. The Brexit Steering Committee met regularly throughout 2020 to consider and plan for all scenarios that could arise as part of the EU-UK trade negotiations and were satisfied that the Group was well placed to deal with the final outcome of the negotiations. The Group continued to invest in its talent pipeline to ensure that the appropriate skills and expertise are available to support its growth in developing markets.

Risk	Description & Impact	Mitigation	Developments in 2020
Business Acquisition and Divestiture Strategic Risk Trend  Link to Strategic Priorities   	Mergers and acquisitions continue to be a core element of the Group's growth and portfolio management strategy which presents risks around due diligence, execution and integration of businesses. A failure to successfully identify, execute or properly integrate acquisitions or execute divestments in a timely and effective manner could impact profitability and impede the strategic development of the Group.	A robust process is in place to manage potential transactions from identification and evaluation to integration and post-acquisition review. All transactions are fully reviewed and approved by the Board. An experienced, dedicated Mergers and Acquisitions (M&A) team are in place who follow a strong governance process throughout all stages of a transaction. Due diligence activities are supported by external specialists when necessary. Procedures are in place to ensure key acquired talent is retained and developed and support is provided to facilitate an efficient integration process.	An updated playbook was rolled out during 2020 to streamline and enhance the planning and execution of the integration process. Integration specialists supported the onboarding of new acquisitions.
Sustainability/Environmental Risk Strategic Risk Trend  Link to Strategic Priorities   	Ever-increasing global environmental and social challenges are recognised by both the Group and its stakeholders (customers, employees, shareholders). A failure to respond to these challenges in a responsible manner, or an environmental, social or governance (ESG) event, could have a significant financial and/or reputational impact on the Group. Sustainability concerns held by stakeholders have been amplified by the COVID-19 pandemic.	Commitments to operating sustainably are core to our business strategy and embedded in our purpose, values and culture. The Group's Sustainability Council, led by the Group CEO, ensures that ESG risks are fully integrated across our operations and broader value chain. Cross-functional teams and programmes established to address key themes including climate change, human rights and responsible sourcing. Comprehensive monitoring and reporting systems in place across the organisation that allows us to track and report progress against our targets. Ongoing assessment and engagement with suppliers of priority raw materials.	With Board oversight, a refreshed sustainability strategy, <i>Beyond the Horizon</i> was launched, with targets tackling areas of material importance. Approval of the Group's carbon target by the Science Based Target Initiative. Share of electricity from renewables increased to 22%. Commenced revised water risk assessment across our operations. The role of the Governance, Nomination and Sustainability Committee was expanded to provide guidance and oversight on the implementation of the Group's sustainability strategy.

Risk	Description & Impact	Mitigation	Developments in 2020
Talent Management Operational Risk Trend  Link to Strategic Priorities 	The ability to attract, develop, engage and retain appropriately qualified talent with the necessary capabilities and skillsets is critical if the Group is to continue to compete and grow effectively. A failure to ensure that a strong senior leadership talent pipeline is in place may impact the Group's ability to achieve its strategic growth priorities. COVID-19 has presented additional challenges in recruiting and onboarding key talent and engaging a more dispersed global workforce.	An objective recruitment and selection process is in place along with effective employment policies and systems. Talent management is a regular agenda item at Group Executive, Governance, Nomination and Sustainability Committee and Board meetings. A groupwide consistent approach is in place to identify, assess and accelerate talent readiness in order to meet succession planning requirements. Remuneration policies have clear links to strategic growth priorities and high-performance criteria including a balance of short and longer-term incentives. Formal graduate, executive education and mentoring programmes are in place and regularly refreshed to ensure the Group is developing the skills and capabilities that will enable future growth. Kerry's priority, in the face of COVID-19 is the health, safety and wellbeing of our employees. Remote working was encouraged for a significant number of employees and where this was not possible, appropriate safety protocols were implemented e.g. zoning, provision of protective equipment, increased sanitisation and screening measures.	The Group completed its leader-led engagement programme to embed its purpose and values to all employees (commenced in 2019). The Group conducted its third groupwide employee engagement survey, the results of which were reviewed by Executive Management and the Board to agree global priorities for 2021. The Board reviewed outputs from a revised approach to executive succession planning implemented in 2019, including the embedding of Kerry Leadership Competencies into all successor assessment and development processes. A refreshed risk mitigation plan for leadership continuity for key executive roles and strengthening succession bench strength was reviewed and approved by the Governance, Nomination and Sustainability Committee. In response to the COVID-19 pandemic the Group strengthened its employee engagement communication programme. In addition, increased focus was placed on leadership development training to support the management of virtual teams and leading with purpose through challenging times. Virtual onboarding guidance was developed, including role specific training and team introductions, to ensure a smooth onboarding of new employees.

Risk	Description & Impact	Mitigation	Developments in 2020
Food Safety, Quality & Regulations Operational Risk Trend  Link to Strategic Priorities 	Adherence to stringent food safety and product controls is critical to ensure the safety and integrity of raw materials and products throughout the Group's supply chain. Kerry must also ensure compliance with continuously evolving legal and regulatory obligations in the areas of food safety, quality, labelling and the environment. Any failure in the Group's food safety protocols; raw materials accidentally or maliciously contaminated throughout the supply chain process; or a breakdown in quality control systems may result in contamination of products leading to a breach of food safety legislation, a product recall or increased levels of customer complaints which could have an adverse financial and/or reputational impact.	Industry-leading food safety and traceability processes and procedures are in place across all manufacturing sites, which are regularly monitored by dedicated, qualified compliance teams. Regular audits of manufacturing sites against recognised global food safety standards are conducted by internal teams, customers and other independent agencies. Stringent controls operate across our supply chain including audits and approval of suppliers supported by rigorous quality checking of all high-risk ingredients. The regulatory function closely monitors and engages with external industry organisations on horizon scanning for emerging regulatory changes or issues.	The Group continued to embed and strengthen its culture of Safety First, Quality Always. Global deployment of a new Quality enterprise software system to enable the capture and trending of real time quality data across our manufacturing footprint. Changes within the quality organisation structure supporting improved governance and talent development were implemented. External food safety consultants were engaged to provide expert advice in relation to disease control and preventative measures in response to the COVID-19 pandemic.
Health & Safety Operational Risk Trend  Link to Strategic Priorities 	The health & safety of employees, sub-contractors, customers and other visitors is of paramount importance to the Group. The safety and wellbeing of employees is a priority of the Group's COVID-19 response. The Group is subject to local safety regulations in multiple jurisdictions with which compliance is paramount. A significant safety incident could expose the Group to legal liability, and/or significant costs and damage the Group's reputation.	Senior leadership supported by health & safety managers are responsible for embedding the Safety First, Quality Always culture and enforcing health & safety standards across the Group underpinned by a robust governance framework. Group health & safety policies have been implemented at every site. All employees are required to complete formal health & safety training (relevant to their role) at regular intervals. Root cause analysis and investigation is conducted to identify and remediate causes of serious incidents. Regular health & safety audits and reviews are conducted. KPIs are reported against industry standards globally.	The cultural programme has been strengthened through training and proactive safety initiatives. Improvements were implemented to streamline the recording of key health and safety metrics. Further improvements have been made to our safety programmes. Changes within the health & safety organisation structure supporting improved governance and talent development were implemented. In response to COVID-19 appropriate measures were implemented to protect the safety and wellbeing of our people. These measures included remote working where possible, segregation and zoning, use of appropriate personal protective equipment and increased sanitisation and employee and visitor screening procedures.

Risk	Description & Impact	Mitigation	Developments in 2020
Margin Management Operational Risk Trend  Link to Strategic Priorities 	The Group's cost base and margin may be impacted by fluctuations in commodities, freight, energy, labour and other input costs. These fluctuations may be influenced by global supply and demand, weather events, political decisions or changes in regulations. Additionally, COVID-19 has resulted in increased costs for the business. Failure to pass on cost increases to customers may impact the Group's margins.	A strong commercial focus on procurement, pricing and cost improvement initiatives is maintained along with ongoing monitoring of pricing performance. The commercial implications of commodity price movements are continuously assessed and, where appropriate, are reflected in the pricing of our products. Risk management processes have been implemented which, in certain cases, include taking purchasing cover on a back to back basis. In addition, exchange rate hedging is implemented where necessary. Contractual mechanisms exist with many customers to pass-through fluctuations in commodity prices.	The Group continued to invest substantial resources in upgrading talent, systems and processes across its global commercial and procurement organisation. These investments enable the Group to keep pace with the ongoing challenges and complexities of the global marketplace. Through the COVID-19 pandemic, the Group has remained focused on continuity of the food supply chain with all manufacturing and RD&A facilities remaining open. The Group also endeavoured to minimise the financial impact on employees with only a small percentage impacted by temporary layoffs/furloughs or redundancies. This did result in additional costs for the Group and as a result cost management measures were critical and a programme of mitigating actions was deployed e.g. a focus on non-essential and discretionary spend and targeted cost management initiatives in impacted business areas.
Information Security & Cybercrime Operational Risk Trend  Link to Strategic Priorities 	A robust ICT infrastructure is critical to the operation of our principal business processes. There is a constant threat of significant and sophisticated cyber-attacks including phishing, ransomware, malware and social engineering. The COVID-19 pandemic has further increased the likelihood and intensity of these attacks.	A specialist ICT Security team is in place who operate a comprehensive series of ICT security controls which are aligned to a globally recognised information security control framework. The Board receive a formal cyber security update from the Chief Information Security Officer on an annual basis in addition to other updates as required. The ICT Security team continuously monitor developments in cyber security threats, engaging with third party specialists as appropriate and implement effective responses. A comprehensive information security training program is in place, supported by continuing awareness campaigns to keep employees abreast of new threats such as phishing and malware.	During 2020, a cyber security assessment was conducted by an external party against the National Institute of Standards and Technology (NIST) framework. This noted strong progress from the previous review as well as identifying areas for future focus. Additional investment in cybersecurity training and awareness in response to remote working arrangements due to the COVID-19 pandemic. Data loss prevention controls were further strengthened through the deployment of additional software solutions. Deployment of incremental controls in network access, email protection and endpoint monitoring. A programme of work was initiated to strengthen the security of operational technology at our manufacturing locations.

Risk	Description & Impact	Mitigation	Developments in 2020
Information Security & Cybercrime <i>(continued)</i> Operational Risk Trend  Link to Strategic Priorities 	A successful cyber-attack, internal breach or other systems failure could result in business interruption, loss of confidential personal or business data or an inability to process financial transactions. This could result in a significant customer, financial, reputational and/or regulatory impact for the Group.	Policies are in place for the protection of information and the appropriate use of IT systems and applications by employees, including access governance. Business continuity, disaster recovery and crisis management plans are in place and are regularly tested. A data protection governance structure for the Group is in place led by an experienced Data Protection Officer. Regular audits are conducted both by ICT auditors within the Internal Audit function and by independent external specialists to assess the strength of the Group's cyber security practices.	There were no material information security breaches noted during the year.
Operational and Supply Chain Continuity Operational Risk Trend  Link to Strategic Priorities 	The Group's manufacturing operations and global supply chain network is potentially exposed to adverse events such as physical disruption, trade restrictions, extreme weather events and key supplier or sourcing issues which could impact on its ability to receive materials, manufacture product and/or deliver orders timely to its customers. COVID-19 presented a significant challenge to ensuring continuity of the Group's operations, including absenteeism, responding to uncertain demand patterns, delays in the movement of goods and implementing protocols to ensure a safe working environment.	Crisis management and Business continuity plans (BCPs) have been designed and are in place to ensure supply chains and operations can be maintained should a disruptive event occur. Qualified, experienced teams are employed to deliver consistent, timely and quality products to our customers. A preventative maintenance programme is in place to minimise unplanned manufacturing downtime. Supplier relationships are maintained to ensure consistent delivery of high-quality raw materials. Experienced customer service teams enable a responsive and agile operation.	An ongoing programme is in place to embed resilience and improve the effectiveness of our operational processes. A project to review and standardise BCPs has commenced groupwide. In response to the COVID-19 pandemic, best practice safety playbooks were developed to support our sites in implementing response measures such as segregation and zoning, use of PPE and sanitisation. Significant cross functional collaboration was required to optimise decision making with regard to maintaining continuity of supply and managing purchasing contracts in situations where demand was impacted due to the COVID-19 pandemic.
Taxation Financial and Compliance Risk Trend  Link to Strategic Priorities 	Given the Group's global network, it is exposed to an increasingly complex and evolving international tax environment. The Group's tax liability or reporting requirements may be impacted by local or international legislative changes, evolving legal interpretations, tax audits and transfer pricing judgements.	A team of dedicated tax experts responsible for ensuring compliance with all taxation matters globally are employed. A programme of continuous professional development ensures that the team is up to date on evolving tax law changes. External taxation advisors are used where appropriate.	The Group continued to monitor developments in international tax legislation, while maintaining a consistent focus on ensuring compliance with new legislative requirements.

Risk	Description & Impact	Mitigation	Developments in 2020
Taxation <i>(continued)</i> Financial and Compliance Risk Trend  Link to Strategic Priorities 	Changes in the international tax environment and associated local tax legislation may expose the Group to adverse tax consequences.	Tax authorities are constructively engaged with across the jurisdictions in which the Group operates. The Audit Committee receives updates from management in relation to the status of ongoing tax authority reviews and matters such as changes in tax laws.	The Group continued to proactively engage with relevant tax authorities to progress any open matters.
Intellectual Property Management Operational Risk Trend  Link to Strategic Priorities 	The Group's unique mix of Intellectual Property (IP) is created by combining carefully managed material sourcing, recipe formulation and process technology expertise. The protection of IP is critical given that it is a key component of the Group's value creation model and supports its unique and differentiated position in the marketplace. If IP owned by the Group is not adequately protected it may result in the loss of commercially sensitive and/or Kerry proprietary information which may have an adverse impact on revenue and profitability.	A global centre of expertise exists to provide legal and technical support in the area of IP protection. Potential IP is reviewed formally at an early stage in the innovation process to determine the most appropriate protection strategy. Policies, procedures and training programmes are in place to provide guidance in relation to the capture, exploitation and protection of IP. ICT controls ensure that IP held within systems is adequately protected to prevent the unauthorised download of sensitive data. Non-disclosure agreements with third parties and IP protection clauses are a standard element of both commercial and employment contracts. The external environment is monitored for potential IP infringement and appropriate action is taken when issues are identified.	Management reviews were conducted to ensure key systems and data access are limited to appropriate employees. IP protection practices were continually reviewed and updated. An IP awareness campaign was rolled out. Physical security controls at key strategic locations continued to be strengthened.
Treasury Financial and Compliance Risk Trend  Link to Strategic Priorities 	The international nature of the Group's operations means that it has transactions and activities across many jurisdictions which expose it to liquidity, foreign exchange, interest rate and counterparty risks. Failure to manage these risks could negatively impact on the financial performance of the Group.	A Group Finance Committee monitors treasury risk on an ongoing basis. Significant cash and debt resources with relatively long-term maturities are in place to ensure the Group's liquidity requirements are met and maintained. The Treasury function actively manages all treasury risks through cashflow forecasts, foreign currency exposure netting and hedging as well as monitoring and meeting funding requirements across its jurisdictions and management of interest rate and counterparty risk.	The Group further strengthened its liquidity position by exercising a one year extension option on its Revolving Credit Facility and executing a €200m tap on its 2025 Euro Senior Note. A full review under stressed scenarios was conducted to evaluate the potential impact of COVID-19 on the Group's liquidity and this review concluded that no further actions were required at this time. Continuous monitoring of exposure to individual banks and the tightening of counterparty limits where appropriate.

GOING CONCERN AND VIABILITY ASSESSMENT

The Board, taking into consideration the Group's principal risks and uncertainties, including emerging risks, assessed the going concern and long-term viability of the Group in line with the requirements of the 2018 UK Corporate Governance Code and the Irish Annex. Its conclusions on these assessments are outlined below.

Going Concern

The Consolidated Financial Statements have been prepared on the going concern basis of accounting.

The Directors considered the Group's business activities and how it generates value, together with the main trends and factors likely to affect future development, business performance and position of the Group, including the impact of the current COVID-19 pandemic, as described in the Business Reviews on pages 40-45. The Group's 2021 budget was reviewed and approved at the December Board meeting. The Directors have also examined the financial position of the Group, including cash flows, liquidity position, borrowing facilities, financial instruments and financial risk management, as described on pages 32-39 and additionally as described in note 23 to the financial statements. Due to the uncertainty of the ongoing duration and impact of the pandemic on mobility restrictions in different countries around the world, additional stressed scenarios, reflecting different levels and timing of the recovery, have been considered. In these scenarios, the Group has sufficient resources and liquidity headroom. There are no material uncertainties that cast a significant doubt on the Group's ability to continue as a going concern over a period of at least 12 months.

As a result of this review, the Directors report that they have satisfied themselves and consider it appropriate that the Group and the Company is a going concern, having adequate resources to continue in operational existence for the foreseeable future and have not identified any material uncertainties that cast a significant doubt on the Group's and the Company's ability to continue as a going concern over a period of at least 12 months.

Viability Assessment

Assessment of Prospects

In line with Provision 31 of the 2018 UK Corporate Governance Code, the Directors have carried out a rigorous review of the prospects of the Group over the medium term. In assessing the prospects of the Group and its ability to meet its liabilities as they fall due, the Board has taken account of the Group's medium term strategic planning cycle, capital investment plans, the business model, its diverse portfolio and the innovation pipeline. The Directors have also considered the Group's strong cash generation and debt maturity profile in addition to the principal risks and uncertainties detailed on pages 73-82. This included a consideration of the COVID-19 pandemic and the range of outcomes that the pandemic could have on the prospects of the Group. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are outlined in the financial review on pages 32-39.

Assessment of Viability

Although the Group's strategic planning cycle covers a period of five years, the Board considers that three years is the most appropriate period to assess the longer-term viability of the Group as current capital expenditure plans, commercial arrangements and financial projections are considered to be more reliable and robust over this period.

The Board has considered how the occurrence of one or more of the Group's principal risks and uncertainties could materially impact the Group's business model, future performance, solvency or liquidity by assessing the impact of these risks in severe but plausible scenarios.

While each of the principal risks and uncertainties could have an impact on the Group's performance, a significant food quality failure, an acquisition not delivering expected returns or a failure to achieve targeted revenue or margins were considered most likely to threaten the Group's long-term viability. In addition, the projected prolonged impact of the COVID-19 pandemic was considered as a risk for the Group.

Three scenarios were stress tested both individually and in combination to assess their potential impact on the Group's solvency, liquidity and cash flow. The projected impact of COVID-19 was considered both in the base case and in the stressed scenarios. This analysis indicated that, notwithstanding the current global pandemic, significant liquidity headroom existed in all scenarios tested. In addition, the Board considers that the diverse nature of the Group's geographies, markets, customer base, and product portfolio provide significant mitigation against the impact of a serious business interruption.

Viability Statement

Based on their assessment of prospects and viability, the Directors have concluded that they 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 the assessment.

DIRECTORS' REPORT



Board of Directors

Chairman & Executive Directors



Mr. Philip Toomey (67)

Chairman of the Board

Philip has extensive business leadership and international experience following an executive career in the financial services industry practice at Accenture. Philip brings financial and operational expertise as well as significant board level experience.

Philip was formerly Global Chief Operating Officer for the financial services industry practice at Accenture and also a member of the Accenture Global Leadership Council.

He is a Fellow of Chartered Accountants Ireland.

Philip was appointed Chairman of the Board in May 2018 and has served as a Director for nine years. He is Chairman of the Governance, Nomination and Sustainability Committee having previously served as Senior Independent Director and Chairman of the Audit Committee.

Appointed: 20 February 2012 and as Chairman 3 May 2018

Committee Membership



Mr. Edmond Scanlon (47)

Executive Director Chief Executive Officer

Edmond is a highly experienced leader in the global food and beverage industry having spent almost 20 years in senior roles across the Group. Edmond brings a strategic mindset to drive Group performance and growth as well as significant financial and operational expertise.

Edmond joined Kerry's graduate programme in Ireland in 1996. Over his career he has held leadership roles in the Group's Flavours and Applied Health and Nutrition businesses as well as heading up the Group's activities in China and the Asia Pacific region.

Edmond was appointed Executive Director and Group Chief Executive Officer in October 2017.

Appointed: 1 October 2017



Ms. Marguerite Larkin (49)

Executive Director Chief Financial Officer

Marguerite brings extensive financial knowledge and risk management expertise as well as being a highly experienced business leader.

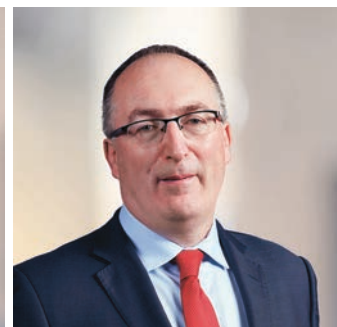
Marguerite has over 25 years international experience having served as lead client partner at Deloitte Ireland for a number of multinationals operating in a broad range of industries including food and beverage, pharma and technology.

During her career with Deloitte, Marguerite served as a senior partner and held a number of leadership roles within Deloitte Ireland.

Marguerite is a Fellow of Chartered Accountants Ireland and holds a Bachelor of Commerce degree and Masters in Accountancy.

Marguerite was appointed Executive Director and Group Chief Financial Officer in September 2018.

Appointed: 30 September 2018



Mr. Gerry Behan (56)

Executive Director President and CEO Kerry Taste & Nutrition

Gerry has over 30 years' experience in the Group and has extensive knowledge of the global food and beverage industry.

He has a wealth of business leadership experience, financial and operational expertise and brings a strategic mindset in the advancement of Kerry's leading taste and nutrition capabilities and unique positioning.

Gerry joined Kerry's graduate programme in 1986 and has held a number of senior financial and business management roles, primarily in the Americas region, including regional Chief Operating Officer and regional Chief Executive Officer.

He was appointed President and Chief Executive Officer of Kerry's Global Taste & Nutrition business in 2011.

Gerry has served as an Executive Director on the Board for 13 years.

Appointed: 13 May 2008

Committee Membership Key



Audit Committee



Governance, Nomination and Sustainability Committee



Remuneration Committee



Indicates Committee Chair

Board of Directors

Non-Executive Directors



Dr. Hugh Brady (61)

Independent Non-Executive Director

Hugh's biomedical research and academic background brings an invaluable perspective to the Board particularly in the areas of health and wellbeing. He also brings a broad range of international and leadership experience.

Hugh is currently President and Vice Chancellor of the University of Bristol in the UK, a position he has held since 2015.

Hugh had a successful career as a physician and biomedical research scientist in the US where he served on the faculty of Harvard Medical School for almost a decade prior to returning to his alma mater as Professor of Medicine and Therapeutics in University College Dublin (UCD). He was previously President of UCD from 2004 to 2013.

He is a non-Executive Director on the Board of ICON plc where he also serves on the Audit Committee.

Hugh joined both the Audit and Governance, Nomination and Sustainability Committees in 2015.

Appointed: 24 February 2014

Committee Membership A N



Mr. Gerard Culligan (46)

Independent Non-Executive Director

Gerard has considerable knowledge of the food industry, in particular the dairy and agribusiness sectors, as well as many years business management experience. He brings insights to the Board that are reflective of the Group's heritage and the dairy community that he represents.

Gerard operates his own business in the agribusiness sector and is a director and co-owner of two private companies in the marine industry.

Appointed: 1 June 2017

Committee Membership Key

A	Audit Committee
N	Governance, Nomination and Sustainability Committee
R	Remuneration Committee
	Indicates Committee Chair



Dr. Karin Dorrepaal (59)

Independent Non-Executive Director

Karin is an experienced business leader who also brings extensive pharmaceutical market knowledge. She has wide ranging experience as a non-Executive Director on an international basis.

During her career she was an Executive Director on the Board of Schering AG in Berlin with responsibility for the Diagnostic Imaging business as well as worldwide manufacturing and procurement and was a partner at the NY and Amsterdam office of an international consultancy firm (formerly known as Booz Allen & Hamilton) where she specialised in the pharmaceutical industry.

Karin holds a Ph.D. and an MBA.

She is currently a non-Executive Director on the Boards of Gerresheimer AG, Paion AG (vice Chairperson) and Almirall S.A. Karin is also a director of a number of private companies.

Karin joined the Remuneration Committee in January 2015 and the Governance, Nomination and Sustainability Committee in December 2015.

Appointed: 1 January 2015

Committee Membership R N



Ms. Joan Garahy (58)

Senior Independent Non-Executive Director

Joan has significant financial services and investment experience having spent over 31 years advising on and managing investment funds. Joan is also an experienced non-Executive Director and has particular expertise in financial and remuneration matters.

Joan's executive career included roles as a personal financial planner, equity analyst, fund manager and head of research and she held leadership roles in the investment and pensions industry including with ClearView Investments & Pensions, the National Treasury Management Agency (Ireland), Hibernian Investment Managers and Goodbody Stockbrokers.

Joan is currently non-Executive Director at ICON plc and Irish Residential Properties REIT plc. She is also a director of IPB Insurance CLG and a number of private companies.

In February 2012, Joan was appointed Chairperson of the Remuneration Committee and joined the Audit Committee on the same date. She was appointed Senior Independent Director on 3 May 2018.

Appointed: 11 January 2012 and as Senior Independent Director 3 May 2018.

Committee Membership R A



Ms. Emer Gilvarry (63)
Independent Non-Executive Director

Emer is a highly experienced professional who brings legal, business and corporate governance expertise to the Board.

Emer is a former senior partner of law firm Mason Hayes and Curran where she served as Head of the Litigation group from 2001 to 2008, Managing Partner from 2008 to 2014 and Chair from 2014 to 2017.

Emer is currently the Senior Independent Director at Greencoat Renewables plc. She is also a director of a number of private companies.

She previously served as a non-Executive Director of Aer Lingus plc from 2014 to 2015 and as a Council Member of The Economic and Social Research Institute from 2014 to 2020.

Emer joined the Audit Committee in November 2020.

Appointed: 1 November 2020

Committee Membership A



Mr. Tom Moran (65)
Independent Non-Executive Director

Tom is an experienced leader who brings extensive knowledge of the food and agriculture industries combined with a broad range of international diplomacy skills. He is also a member of a number of boards and committees.

Tom had a long and distinguished career within the Irish Public Sector where he served as Secretary General of the Irish Department of Agriculture, Food and the Marine and also held a number of international policy and international trade negotiation leadership roles.

Tom is currently a Board member of An Bord Bia, the Irish Food Board, and chairs its Dairy Subsidiary Board, a member of the Irish Government AgriFood 2030 Strategy Group and Vice Chair of the Origin Green Global Sustainability Council. He is also Chairman of the Irish Government Public Appointments Service. Tom is a registered Chartered Director.

Tom joined the Remuneration Committee in February 2016 and the Governance, Nomination and Sustainability Committee in November 2020. He also served as a member of the Audit Committee from December 2015 to November 2020. Tom is currently the designated workforce engagement Director.

Appointed: 29 September 2015

Committee Membership R N



Mr. Con Murphy (56)
Independent Non-Executive Director

Con has a deep knowledge of the food industry, in particular the dairy and agribusiness sectors. He brings insights to the Board that are reflective of the Group's heritage and the dairy community that he represents.

Con operates his own business in the agribusiness sector and is a member of the Board of a small private company. He was previously the Chairman of the Irish Montbeliarde Cattle Society.

Appointed: 1 June 2017



Mr. Christopher Rogers (60)
Independent Non-Executive Director

Christopher is an experienced non-Executive Director with a broad business leadership background who also brings extensive knowledge of the foodservice industry together with financial and risk management expertise.

He was formerly an Executive Director of Whitbread plc for 11 years, serving as Finance Director for 7 years and then as Global Managing Director of Costa Coffee.

Christopher is currently non-Executive Director at Travis Perkins plc, Vivo Energy plc and Sanderson Design Group plc.

Christopher is a Fellow of Chartered Accountants England and Wales. He is also a visiting Fellow at Durham University (UK).

He was appointed Chairman of the Audit Committee with effect from 8 May 2018 and joined the Remuneration Committee in April 2020.

Appointed: 8 May 2018

Committee Membership A R



Mr. Jinlong Wang (63)
Independent Non-Executive Director

Jinlong is an experienced leader with more than 30 years' experience in global business development, consumer branding and general management. His in-depth understanding of Asian markets, coupled with his extensive knowledge of the Food & Beverage industry, brings a key set of skills to the Board.

He was formerly President of Starbucks Coffee Asia Pacific having served as Chairman and President of Starbucks China. He also served as Operating Partner of Hony Capital Limited and as Group Chairman and Chief Executive Officer of PizzaExpress.

He is currently a non-Executive Director on the Boards of Sonova Holdings AG and Swire Properties Limited.

Jinlong holds a Bachelor's degree in international economics and trade from the University of International Economics and Trade in Beijing and a Juris Doctor degree from Columbia University School of Law.

Appointed: 5 January 2021

Read More →

Audit Committee Report
Pages 107-112

Governance, Nomination and Sustainability Committee Report
Pages 113-118

Remuneration Committee Report
Pages 119-149

Report of the Directors

Directors and Other Information

Directors

Philip Toomey, Chairman
Edmond Scanlon, Chief Executive Officer*
Marguerite Larkin, Chief Financial Officer*
Gerry Behan, President & CEO Kerry Taste & Nutrition*
Hugh Brady
Gerard Culligan
Karin Dorrepaal
Joan Garahy
Emer Gilvarry
Tom Moran
Con Murphy
Christopher Rogers
Jinlong Wang

*Executive Director

Secretary and Registered Office

Ronan Deasy
Kerry Group plc
Prince's Street
Tralee
Co. Kerry
V92 EH11
Ireland

Registrar and Share Transfer Office

Ronan Deasy
Registrar's Department
Kerry Group plc
Prince's Street
Tralee
Co. Kerry
V92 EH11
Ireland

Website

www.kerrygroup.com

The Directors submit their Annual Report together with the audited Consolidated Financial Statements for the year ended 31 December 2020.

Principal Activities

Kerry is the world's leading taste and nutrition company, providing sustainable nutrition solutions for the food, beverage and pharmaceutical industries and a leader in our consumer foods categories in the chilled cabinet.

Listed on the Euronext Dublin and London Stock Exchanges, Kerry has an international presence with 149 manufacturing facilities across the world.

Results and Review of the Business

The Directors are pleased to report, that in a year which was significantly impacted by COVID-19, the Group delivered a resilient performance with revenue of **€7.0bn** (2019: €7.2bn), trading profit of **€797m** (2019: €903m), profit before tax and non-trading items of **€655m** (2019: €757m) and shareholders' funds of **€4.7bn** (2019: €4.6bn). Constant currency adjusted earnings per share (EPS), which is before brand related intangible asset amortisation and non-trading items (net of related tax), decreased by 9.4% to **345.4 cent** (2019 currency adjusted: 381.4 cent). Basic EPS of **313.0 cent** decreased by 2.3%. Trading margin for the year decreased by 100bps to **11.5%** (2019: 12.5%). The Group achieved a free cash flow of **€412m** (2019: €515m). Further details of the results for the year are set out in the Consolidated Income Statement and in the related notes forming part of the Consolidated Financial Statements. The Group's financial key performance indicators are discussed on pages 30-31.

The Chairman's Statement, the Chief Executive Officer's Review, the Business Reviews and the Financial Review, which are included in the Strategic Report on pages 8-45, report on the performance of the Group's business, including acquisitions during the year and on future developments.

Dividends

On 15 February 2021, the Directors recommended a final dividend totaling **60.6 cent** per share in respect of the year ended 31 December 2020 (see note 10 to the financial statements). This final dividend per share is an increase of **10.0%** over the final 2019 dividend per share paid on 15 May 2020. This dividend is in addition to the interim dividend paid to shareholders on 13 November 2020, which amounted to **25.9 cent** per share.

The payment date for the final dividend is 14 May 2021 to shareholders registered on the record date 16 April 2021.

Events After the Balance Sheet Date

Other than the proposed final dividend, there have been no other significant events, outside the ordinary course of business, affecting the Group since 31 December 2020.

Principal Risks and Uncertainties

In accordance with Section 327(1)(b) of the Companies Act 2014, Regulation 5(4)(c)(ii) of the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland, a description of the principal risks and uncertainties facing the Group are outlined in the Risk Management Report on pages 73-82.

Research and Development

The Group is fully committed to ongoing technological innovation in all sectors of its business, providing integrated customer focused product development and support by leveraging our global technology capabilities and expertise. To facilitate this, the Group has invested in highly focused research, development and application centres of excellence with a strategically located Global Technology & Innovation Centre, based in Naas, Ireland which is supported by Regional Development & Application Centres and a global knowledge management infrastructure. Expenditure on research and development applications and technical support amounted to **€281.9m** in 2020 (2019: €291.4m).

Sustainability

In October 2020, the Group announced its 2030 sustainability strategy *Beyond the Horizon*, which underpins Kerry's future growth as it continues to partner with its customers across the globe to create a world of sustainable nutrition. *Beyond the Horizon* will see Kerry work with customers to promote healthier and more sustainable diets aiming to reach over two billion people by 2030.

The strategy also includes ambitions to deliver for people, society and the planet with targets across material topics including climate change, circular economy and responsible sourcing.

Details regarding the Group's sustainability strategy, targets, performance, policies and programmes are outlined in the Sustainability Review on pages 46-70.

Share Capital

Details of the share capital are shown in note 26 of the financial statements. The authorised share capital of the Company is €35,000,000 divided into 280,000,000 A ordinary shares of 12.5 cent each, of which 176,700,036 shares were in issue at 31 December 2020.

The A ordinary shares rank equally in all respects. There are no limitations on the holding of securities in the Company.

There are no restrictions on the transfer of fully paid shares in the Company, but the Directors have the power to refuse the transfer of shares that are not fully paid. There are no deadlines for exercising voting rights other than proxy votes, which must be received by the Company at least 48 hours before the time of the meeting at which a vote will take place. There are no restrictions on voting rights except:

- where the holder or holders of shares have failed to pay any call or instalment in the manner and at the time appointed for payment; or
- the failure of any shareholder to comply with the terms of Article 14 of the Company's Articles of Association (disclosure of beneficial interest).

The Company is not aware of any agreements between shareholders which may result in restrictions on the transfer of securities or on voting rights.

The Directors have the authority to issue new shares in the Company up to a maximum of 20 million new A ordinary shares. This authority will expire on the earlier of the conclusion of the 2021 Annual General Meeting (AGM) and close of business on 29 July 2021 and it is intended to seek shareholder approval to renew the authority at the AGM to be held on 29 April 2021.

Shareholders approved the authority for the Directors to allot shares for cash on a non-pro rata basis up to a maximum of 8,826,991 shares at the AGM held on 30 April 2020, representing 5% of the A Ordinary Shares in issue on 1 March 2020. Shareholders also approved an authority to allot a further 8,826,991 A Ordinary Shares (5%) for cash on a non pro rata basis provided the additional authority will only be used for the purpose of an acquisition or specified capital investment announced contemporaneously with the issue or which has taken place in the preceding six month period and is disclosed with the announcement of the issue. Neither authorities have been exercised and will expire on the earlier of the conclusion of the 2021 AGM and close of business on 29 July 2021. It is intended to seek shareholder approval for their renewal at the 2021 AGM. During 2020, 185,094 shares were allotted pursuant to the Company's Short and Long-Term Incentive Plans as a result of shares which vested and options which were exercised. Further details are shown in note 26 to the financial statements.

The Company may purchase its own shares in accordance with the Companies Act 2014 and the Company's Articles of Association. At the 2020 AGM, shareholders passed a resolution authorising the Company to purchase up to 5% of its own issued share capital, but the authority was not exercised. This authority is due to expire on the earlier of the conclusion of the 2021 AGM and close of business on 29 July 2021 and it is intended to seek shareholder approval for its renewal at the 2021 AGM.

Substantial Interests

The Directors have been notified of the following shareholdings of 3% or more in the issued share capital of the Company:

Shareholder	Number Held	%
Kerry Co-operative Creameries Limited (KCC)	21,343,456	12.1%
Blackrock Investment Management	8,801,272	5.0%

Apart from the aforementioned, the Company has not been notified of any interest of 3% or more in the issued share capital of the Company.

Directors

The Board, at the date of this report, consists of a Chairman, three Executive and nine independent Non-Executive Directors. The names and biographical details of the Directors are set out on pages 85-87. Following the individual performance evaluation of all Directors, as outlined in the Corporate Governance Report on page 105, the Board recommends the election and re-election of all Directors seeking election and re-election.

The Directors' and Company Secretary's interests in shares and debentures are included in the Remuneration Report on page 145.

Board and Committee Changes

Mr. James C. Kenny retired from the Board following the conclusion of the AGM on 30 April 2020.

Mr. Christopher Rogers was appointed to the Remuneration Committee on 30 April 2020.

Mr. Tom Moran stepped down from the Audit Committee on 1 November 2020 and was appointed to the Governance, Nomination and Sustainability Committee on the same date.

Ms. Emer Gilvarry was appointed to the Board on 1 November 2020 and was appointed to the Audit Committee on the same date.

Mr. Jinlong Wang was appointed to the Board on 5 January 2021.

Ms. Joan Garahy will retire as Senior Independent non-Executive Director and from the Board at the conclusion of the AGM to be held on 29 April 2021 and will not seek re-election.

The Articles of Association empower the Board to appoint Directors, but also require such Directors to retire and submit themselves for re-election at the next AGM following their appointment. For the purposes of the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006 specific rules regarding the appointment and re-election of Directors are referred to in the Governance, Nomination and Sustainability Committee Report.

Corporate Governance

The Corporate Governance Report on pages 94-106 sets out the Company's application of the principles, and compliance with the Provisions of the 2018 UK Corporate Governance Code and Irish Annex (the Code).

Non-Financial Information

Pursuant to the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017, the Group is required to report on certain non-financial information to provide an understanding of its development, performance, position and the impact of its activities, relating to, at least, environmental matters, social matters, employee matters, respect for human rights and bribery and corruption. Information on these matters can be found in the following sections of the Annual Report, which are deemed to form part of this Report: Sustainability Review on pages 46-70, Our Business Model on pages 20-21, the Risk Management Report on pages 71-83. Information on diversity can be found in the Governance, Nomination and Sustainability Committee Report on pages 113-118 and the Sustainability Review on page 59.

Going Concern and Long-Term Viability Statements

The going concern and longer-term viability statements in the Risk Management Report on page 83 set out the Company's basis for the adoption of the going concern basis of accounting in preparing the Consolidated Financial Statements and the basis for the Directors' conclusion that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next three years.

Directors' Responsibility Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Irish company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the assets, liabilities and financial position of the Company and the Group, and of the profit or loss of the Group for that period. Under that law the Directors have elected to prepare group financial statements in accordance with International Financial Reporting Standards ('IFRSs') and IFRSs as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under IFRSs and IFRSs as adopted by the European Union. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS and IFRSs as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for ensuring that the Company keeps adequate accounting records which correctly explain and record the transactions of the Company, enabling at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy and ensuring that the financial statements are prepared in accordance with IFRSs and IFRSs as adopted by the European Union, comply with the Companies Act 2014 and as regards to the Group financial statements, Article 4 of the IAS Regulation and enable the financial statements to be audited.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website www.kerrygroup.com. Irish legislation governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland, the Directors are required to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group. The Directors are also required by applicable law and the Listing Rules issued by Euronext Dublin and the UK Listing Authority to prepare a Directors' Report and reports relating to Directors' remuneration and corporate governance.

Each of the Directors, whose names and functions are listed on page 88, confirms that, to the best of their knowledge and belief:

- the Consolidated Financial Statements for the year ended 31 December 2020 have been prepared in accordance with IFRSs and IFRSs as adopted by the European Union and give a true and fair view of the assets, liabilities, and financial position of the Group and the undertakings included in the consolidation, taken as a whole, as at that date and its profit for the year then ended;
- the Company financial statements, prepared in accordance with IFRSs and IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2014, give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2020;
- the Financial and Business Reviews on pages 32-45 include a fair review of the development and performance of the business for the year ended 31 December 2020 and the position of the Company and the Group at the year end;
- the Risk Management Report provides a description of the principal risks and uncertainties which may impact the future performance of the Company and the Group at the year end; and
- the Annual Report and Consolidated Financial Statements, taken as a whole, provides the information necessary for shareholders to assess the Company's and Group's position and performance, business model and strategy and is fair, balanced and understandable.

Directors' Compliance Policy Statement

It is the policy of the Company to comply with its relevant obligations (as defined in the Companies Act 2014). The Directors have drawn up a compliance policy statement (as defined in section 225(3)(a) of the Companies Act 2014) and arrangements and structures are in place that are, in the Directors' opinion, designed to secure material compliance with the Company's relevant obligations. The Directors confirm that these arrangements and structures were reviewed during the financial year. As required by Section 225(2) of the Companies Act 2014, the Directors acknowledge that they are responsible for the Company's compliance with the relevant obligations. In discharging their responsibilities under Section 225, the Directors relied on the advice both of persons employed by the Company and of third parties who the Directors believe have the requisite knowledge and experience to advise the Company on compliance with its relevant obligations.

Accounting Records

To ensure that proper accounting records are kept for the Company in accordance with section 281 to 285 of the Companies Act 2014, the Directors employ appropriately qualified accounting personnel and maintain appropriate accounting policies and systems.

The accounting records of the Company are maintained at the Company's registered office.

Accountability and External Audit

A statement relating to the Directors' responsibilities in respect of the preparation of the financial statements is set out on pages 91-92 with the responsibilities of the Company's external Auditors outlined on page 156.

The Consolidated Financial Statements on pages 158-230 have been audited by PricewaterhouseCoopers (PwC), Chartered Accountants.

The external Auditors, PwC who were appointed in March 2016, will continue in office in accordance with Section 383(2) of the Companies Act 2014. A resolution authorising the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Disclosure of Information to the External Auditors

Each of the Directors, who were members of the Board at the date of approval of this Report of the Directors, confirms that:

- so far as they are aware there is no relevant audit information of which the Company's external auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's external auditors are aware of that information.

Memorandum and Articles of Association

The Company's Memorandum and Articles of Association set out the objects and powers of the Company. The Articles of Association of the Company may only be amended by way of special resolution approved by shareholders in a general meeting.

A copy of the Articles of Association can be obtained from the Company's website www.kerrygroup.com.

Change of Control Provisions

The Group's revolving credit facility includes a 'Change of Control' provision which requires the Group to notify the lending institutions of a change of control event occurring. Each lender has the option to withdraw their facilities in the event of a change of control occurring unless they agree otherwise in writing.

Certain public senior notes issued by the Group contain a provision that requires the Group to make an offer to repurchase the notes in the event that a change of control occurs which leads to a downgrading of the rating assigned to the notes below investment grade.

Other than the 'Change of Control' provisions in those arrangements, the Group is not a party to any other significant agreements which contain such a provision.

Political Donations

During the year, the Company made no political contributions which require disclosure under the Electoral Act, 1997.

Group Entities

The principal subsidiaries and associated undertakings are listed in note 35 to the financial statements.

Financial Instruments

The financial risk management objectives and policies, along with a description of the use of financial instruments are set out in note 23 to the financial statements.

Information Required to be Disclosed by Listing Rule 6.1.77, Republic of Ireland Listing Authority

For the purposes of Listing Rule 6.1.77, the information required to be disclosed can be found in the following locations:

Section	Topic	Location
(1)	Interest capitalised	Statement of accounting policies
(2)	Publication of unaudited financial information	Supplementary information
(3)	Details of small related party transactions	Note 32 to the financial statements
(4)	Details of long-term incentive schemes	Remuneration Committee Report
(5) – (14)	Section 5 - 14 of Listing Rule 6.1.77	Not applicable

Cross References

All information cross referenced in this report forms part of the Report of the Directors.

Signed on behalf of the Board:



Philip Toomey
Chairman
15 February 2021



Edmond Scanlon
Chief Executive Officer
15 February 2021

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 2020.

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 Code other than certain remuneration related Provisions which required structural changes to the existing Remuneration Policy. The required changes have been incorporated into a new Remuneration Policy that will be put to an advisory vote at the 2021 AGM. Further details are outlined in the Remuneration Committee Report on pages 120-122.

Following the declaration of the COVID-19 pandemic, additional Board meetings were held, as the Board focused on the impact of the pandemic and oversaw the Group's response by providing critical guidance and support to Executive Management. Physical Board meetings became impossible due to the imposition of COVID-19 related restrictions with all Board meetings held via video conference from April onwards.

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 2020, the Board continued to assess and monitor 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. Details of stakeholder engagement activities during the year, including the work of the designated workforce engagement Director, are outlined on pages 98-101.

The Board, in conjunction with the Governance, Nomination and Sustainability Committee, ensures that there are robust plans in place to facilitate Board, executive and senior management succession. During 2020, the Board undertook a formal process to recruit two new non-Executive Directors both of whom bring skills and experience that will strengthen the Board. Details of the non-Executive Director and Committee changes that occurred during the year, are set out in the Governance, Nomination and Sustainability Committee Report on page 116.

I will have served nine years as a Director, including less than three years as Chairman, on 19 February 2021. The Governance, Nomination and Sustainability Committee is aware of the Provisions of the Code in respect of Chairman tenure and is undertaking a formal succession process which is being led by Ms. Joan Garahy as Senior Independent Director. The Board has recommended that I continue as Chairman until the AGM in 2022, to allow appropriate time to identify a successor and to enable an orderly succession to the role.

The Board recognises its role in providing guidance and strategic oversight to the Group in implementing its 2030 sustainability strategy, *Beyond the Horizon* which was officially launched in October 2020. Following the launch, the Board expanded the role of the Nomination Committee to reflect its additional responsibilities of sustainability oversight and approved updated Terms of Reference. The Nomination Committee was renamed the Governance, Nomination and Sustainability Committee.

Diversity at Board level has been a focus for the Governance, Nomination and Sustainability Committee for a number of years and also continues to be a key factor when considering Board refreshment. During 2020, the Governance, Nomination and Sustainability Committee also monitored the progress made against the diversity targets at senior management level 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 Management in 2021.

Each year the Board undertakes a formal evaluation of its effectiveness and that of its Committees. In 2020, this was an internal self-assessment which was conducted by the Chairman and the Senior Independent Director. The evaluation concluded that the Board and its Committees are performing effectively. Details of the process and the resulting actions from this review 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 dark ink, appearing to read 'Philip Toomey'.

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 13 members, a non-Executive Chairman, Chief Executive Officer, Chief Financial Officer, one other Executive Director, and nine 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 developing and monitoring strategy, and managing the risks that face the organisation. It is also responsible for embedding the purpose, instilling the appropriate values and behaviours, together with monitoring and assessing culture throughout the organisation.

The Board oversaw the Group's response to COVID-19 providing critical guidance and support to Executive Management. A COVID-19 Taskforce comprising of key executives, supported by local management teams, co-ordinated the Group's response and were responsible for approving and directing the actions required to help mitigate the many challenges presented by the pandemic. The Board was provided with regular updates on progress, in relation to the health & safety of employees, support for customers and communities, continuity of supply both from suppliers and to customers, and the Group's financial and operational performance.

Details of the COVID-19 Taskforce and the Group's response to the risks posed by the pandemic are outlined in the Risk Management Report on pages 74-75.

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.

Information Flow

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 in addition to the Group's purpose, vision, 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 addition to formal meetings, the Chairman and Chief Executive Officer maintain regular contact with all Directors. The Chairman holds informal meetings or calls with non-Executive Directors without the Executive Directors to discuss issues affecting the Group.

All directors have access to the advice and services of the Company Secretary, who is responsible for advising the Board on all governance matters. 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.

Strategy

During 2020, as part of the annual strategy review, the Board received and considered presentations from Executive Directors on progress to date implementing the strategies for volume growth, margin expansion and return on investment that underpin the Group's five year plan and its associated financial targets.

The Board approved the Group's sustainability strategy *Beyond the Horizon* in October 2020 which underpins the Group's growth strategy. Presentations were also received from the Company's advisors on matters such as the mergers and acquisitions landscape, the 'New Normal' post COVID-19, corporate defence and shareholder activism throughout the year. Through these reviews and ongoing discussions on strategy the Board is confident that Kerry's strategic priorities for growth will continue to be the key drivers of organic growth and acquisition investment in the future.

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. Details of the Group's strategy are outlined in Strategy and Financial Targets on pages 26-28.

Purpose, Values and Culture

As the world leader in taste and nutrition, our Purpose Inspiring Food, Nourishing Life was approved by the Board in 2019.

The Group's purpose is guided by the Group's new Vision to be our customers' most valued partner, creating a world of sustainable nutrition. The Board is satisfied that the strategies for the Taste & Nutrition and Consumer Foods businesses are aligned to the Group's Purpose which is guided by our Values of Courage, Ownership, Inclusiveness, Open-mindedness and Enterprising Spirit. The Board is also led 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 and values are outlined on pages 4-5.

The Group's culture is based on a common understanding of our values, underpinned by our practices 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 compliance with Group policies, internal audit, formal and informal channels for employees to raise concerns including the Leader Pulse Check, OurVoice employee engagement survey and the Group's whistleblowing arrangement and feedback from the designated workforce engagement Director. If the Board is concerned or dissatisfied with any behaviors or actions, it seeks assurance from the executives that corrective action is being taken.

Board Activities

The Board's activities during the year included the items set out below:

Strategy

- reviewed the Group's strategic priorities for growth and business model in light of COVID-19;
- reviewed and approved the Group's strategy relating to mergers and acquisitions;
- approved the Group's new vision statement;
- approved the Group's refreshed corporate brand identity; and
- approved the Group's 2030 sustainability strategy *Beyond the Horizon*.

Operational/Commercial

- received regular updates from Executive Directors on how COVID-19 was impacting the Group's operations with a particular focus on employee health & safety;
- approved individual acquisitions and considered the learnings from completed acquisitions; and
- approved significant capital expenditure projects.

Financial

- received reports from the Chief Financial Officer at each meeting in respect of the Group's financial performance including how it was impacted by COVID-19;
- received regular reports from the Chief Financial Officer on Investor Relations activities;
- considered the Group's financial position and liquidity headroom in light of the COVID-19 pandemic;
- approved the Group's Preliminary Results, Annual Report and Accounts, Interim Financial Statements and Interim Management Statements;
- approved the payment of an interim dividend and recommended the payment of a final dividend;
- approved the going concern basis of accounting and the long-term viability statement taking into consideration the impact of COVID-19;
- considered and agreed the treasury policy and approved significant treasury activities during the year including the issuance of €200m of new senior notes; and
- approved the Group Budget for the 2021 financial year.

Internal Controls and Risk Management

- received regular reports from the Chairman of the Audit Committee on its oversight of internal controls, risks and risk management;
- received regular reports from business and functional leaders on the Group's key risks; and
- confirmed the effectiveness of the internal control and risk management framework.

Governance and Stakeholders

- received regular reports from the Chairman of the Governance, Nomination and Sustainability Committee on its activities;
- approved the appointment of Ms. Emer Gilvarry and Mr. Jinlong Wang as non-Executive Directors and changes to the composition of Board Committees;
- conducted an internally facilitated Board evaluation and considered its outcome;
- considered compliance with the 2018 UK Corporate Governance Code;
- approved the Board Diversity Policy;
- confirmed that appropriate arrangements and structures are in place to ensure material compliance with the relevant obligations under Section 225 of the Companies Act 2014;
- confirmed that appropriate structures are in place for the proportionate and independent investigation and follow-up of matters raised through the Group's whistleblowing arrangements;
- approved the Shareholder Circular relating to CSD Migration and the associated changes to the Company's Articles of Association; and
- received updates on a range of corporate governance and regulatory matters from external advisors.

People and Culture

- received regular reports from the Chairperson of the Remuneration Committee on its activities;
- approved the changes to the new Remuneration Policy to be put to an advisory vote at the 2021 AGM;
- reviewed the results of the OurVoice employee engagement survey and the Leader Pulse Checks conducted in 2020;
- received and considered reports from the designated workforce engagement Director on his activities during the year. Details are outlined in Governance in Action on page 101;
- received and considered presentations from the Chief Executive Officer and the Chief Human Resources Officer on talent and succession planning;
- attended the Kerry Global Leadership Forum along with 400 senior managers; and
- monitored and assessed the culture of the Group to ensure it promotes integrity and openness, values diversity and is responsive to the views of shareholders and wider stakeholders.

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. Following the declaration of the COVID-19 pandemic by the World Health Organisation in early 2020, balancing the needs and expectations of our stakeholders has never been more important and challenging. Details of our stakeholder engagement are set out below:

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 2020, meetings were held with over 800 investors and Kerry's management teams participated at 21 investor conferences. Kerry met investors in eight different cities and then engaged virtually from April onwards following the imposition of COVID-19 related restrictions.

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.

Shareholder presentations are made at the time of release of the Group's full year and half year results and interim management statements, 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.

The Company's Annual General Meeting (AGM) provides an opportunity for the Directors to deliver presentations and to answer questions of shareholders, both institutional and private. Whilst this was not possible in 2020 due to COVID-19 related restrictions, all shareholders were able to exercise their right to vote through the appointment of a proxy. Shareholders were also invited to join and listen to the business of the meeting via webcast which was accessed through the Company's website. The Company also provided a facility for shareholders to submit questions by email or by post in advance of the AGM.

Material Matters

Matters of importance to shareholders included the impact of COVID-19 on the Group's performance and outlook. Other matters included strategic positioning, competitive landscape, mergers and acquisitions and Kerry's sustainability strategy.

Our Response

When necessary, the Board and Committee Chairs engage with shareholders on specific topics and where relevant provide feedback to the Directors. During the year, the Remuneration Committee Chairperson consulted with a number of large institutional shareholders on the proposed changes to the Remuneration Policy.

All the Committee Chairs attend the AGM in person. While this was not possible in 2020 due to COVID-19 related restrictions, all Committee Chairs were available throughout the year to engage with shareholders.

Employees



Our Engagement

The Group undertakes regular two-way engagement activities with our 26,000+ employees including employee briefings and virtual Town Halls led by business leadership teams, and through the OurVoice employee engagement survey followed by team feedback sessions. During October 2020, 86% of employees participated in the OurVoice employee engagement survey. Interim Leader Pulse Checks were also conducted in March and July with senior management. The leader led Kerry Way workshops, to embed the Group's purpose and refreshed values, which commenced in 2019 were completed in early 2020. Following the declaration of the COVID-19 pandemic, the Group established and maintained a dedicated information portal for all employees on the MyKerry intranet. The Chief Executive Officer, Executive Management and business leaders held virtual briefings and updates with their respective teams as the situation continued to evolve during the year.

Employees (continued)



Our Engagement (continued)

The designated workforce engagement Director Mr. Tom Moran engaged directly with business leadership teams and employees during 2020, initially in person, with subsequent activities moving to a virtual setting from March 2020 onwards. Details of the activities of the designated workforce engagement Director are outlined on page 101.

Board members, through their attendance at the Kerry Global Leadership Forum, held in October 2020, were provided with an opportunity to listen to over 400 senior managers across the organisation, where they discussed matters such as our refreshed brand identity and vision, the 2030 sustainability strategy, leadership competencies, culture and values.

Material Matters

Our annual employee engagement survey reinforced our core strengths in the areas of health & safety, employee wellbeing and customer focus. Areas identified for continued focus during 2021 include the role of senior leaders, simplification of organisational structures and investment in career development opportunities for all employees.

Our Response

The Board provided feedback on the global priorities and plans to address the matters raised by employees as part of the OurVoice employee engagement survey and the Leader Pulse Checks. The Board also received updates from the Chief Executive Officer on the action plans to safeguard the safety and wellbeing of employees during the COVID-19 pandemic.

Details of employee engagement activities are outlined in Our People on pages 14-19 and the Sustainability Review on pages 46-70. The Group's response to employees during the COVID-19 pandemic is outlined above and in the Sustainability Review on page 58.

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. The Group interacts with customers on a daily basis at multiple levels from dedicated relationship and account managers to tailored innovation forums.

In response to the COVID-19 pandemic, the Group supported its customers by ensuring continuity of supply and helping them to innovate their product portfolios to meet changing consumer needs and preferences and the evolving operating environment. The Group engaged with its customers by introducing new innovative processes for virtual collaboration and via its dedicated COVID-19 web page. The Group also shared its COVID-19 safety playbook with customers to ensure their operations were not compromised.

During 2020, the Group conducted a global customer satisfaction survey with its major customers and continued to engage with customers on the Group's sustainability strategy.

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 considers customer engagement matters as part of the overall Group sustainability strategy.

Material Matters

Matters of importance included the impact of the COVID-19 pandemic on, the end-to-end supply chain, changing consumer needs and preferences and the customers' ability to operate.

Our customers are also responding to the acceleration of key trends in the food and beverage industry, with increased demand for health and immunity enhancement, plant protein options, and products addressing a diverse range of sustainability criteria.

Our Response

The Board approves the Group's significant investment in Research & Development activities and together with management ensures 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. During 2020, the Board approved investments in areas such as developing immunity enhancing products, expanding the Group's Radicle™ portfolio of plant-based food ingredient solutions and developing innovative food delivery solutions. The Board also approved a number of acquisitions during the year which complement the Group's capabilities in areas such as proactive nutrition, taste and food protection solutions to meet the changing needs of customers and consumers. Further details are outlined in Our Business Model on pages 20-21, Strategy and Financial Targets on pages 26-28 and the Sustainability Review on pages 52-55.

As Kerry continues to meet the changing needs of both customers and consumers, the Board approved the 2030 sustainability strategy *Beyond the Horizon* along with a refreshed brand identity, reflecting the evolution of the business. This underpins Kerry's growth strategy as it continues to partner with its customers to create a world of sustainable nutrition.

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.

Material Matters

Matters of importance to our suppliers include service levels, cost reduction programmes, availability of supply and responsible sourcing. During 2020, availability of supply during the COVID-19 pandemic impacted all suppliers. Also, the impact of Brexit on availability and cost of supply 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 workers across the supply chain.

The Board ensured that as part of the Group's Brexit planning, contingency supply arrangements were put in place to limit any potential disruption in production. Similarly, the Board ensured that effective supply arrangements were put in place as part of the Group's response to COVID-19.

Further details are outlined in the Sustainability Review on pages 55-58.

Community**Our Engagement**

Kerry engages with community representative bodies, charities and leading non-governmental organisations in all regions in which it operates. The Group directly supports a range of community projects and encourages employees to participate in local initiatives through paid volunteer hours.

The Board considers our local community engagements as part of the overall Group sustainability strategy.

Material Matters

Matters of importance include the impact of COVID-19 on the wider society, employment and local economic development, and access to nutrition and sustainable food production.

Our Response

As a leader in the food and beverage industry, the Group continued to fulfill its role during the pandemic, ensuring a safe and consistent food supply despite the challenges faced by the industry.

In addition, the Board approved the Group's MyCommunity initiative as part of its response to the COVID-19 pandemic. This initiative includes the provision of financial support, pledging of 26,000 employee volunteer days to assist community programmes, the supply of PPE to frontline workers, the production and donation of hand sanitiser and the delivery of food to vulnerable groups in society.

Details of the Group's MyCommunity initiative and other community activities are outlined in the Sustainability Review on pages 60-61.

MyCommunity



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.

GOVERNANCE IN ACTION:

Designated Workforce Engagement Director – Activities and Feedback in 2020

A plan for 2020 was developed by the Group Human Resources Team, in conjunction with the designated workforce engagement Director Mr. Tom Moran, to ensure he had the opportunity to engage with or visit each of the Group's regions, meet with a range of employees in their day to day settings and attend a variety of employee events. While some in person events were completed in the first quarter of 2020, due to the COVID-19 pandemic, the plan was revised and moved to a totally virtual plan from March 2020 onwards. Details of the employee engagement activities undertaken by Mr. Tom Moran during 2020 are outlined below.

- visit to Kerry Foods manufacturing site in Coleraine, Northern Ireland;
- participation in our International Women's Day event in Naas, Ireland;
- participation in groupwide webinars hosted by the Chief Executive Officer;
- participation in leadership team meetings in Europe and Russia and LATAM regions;
- attendance at the virtual Kerry Global Leadership Forum. Further details are outlined on page 99;
- attendance at a global Town Hall event hosted by the Research, Development and Application team, for over 1,000 employees globally;
- 1:1 briefings with key leaders showcasing career development, diversity, inclusion and belonging and community activities across the Group;
- ongoing updates with key representatives from the Group Human Resources team to provide a first-hand view of Kerry's response to the COVID-19 pandemic, including measures taken to prioritise the health, safety and wellbeing of all employees whether working at home or continuing to work onsite and the preparations for their future return to the workplace; and
- ongoing updates on the results from the Leader Pulse Checks and the OurVoice employee engagement survey activities.

The global priorities for employee engagement during 2020 were as follows:

- integrating employee engagement as a key organisational measure to drive sustainable and successful business improvement activities;
- maintaining a continued focus on employee engagement activities during the COVID-19 pandemic and providing additional support to senior management in leading teams through uncertain times, managing a more dispersed workforce and dealing with prolonged disruption to day to day working practices;
- providing the right level of organisational support, to prioritise employees' safety, health and wellbeing needs, to partner effectively with customers, and to help our communities during the COVID-19 pandemic; and
- actively fostering diversity, inclusion and belonging in the workplace to ensure all employees felt valued, stayed connected, received relevant and timely updates as matters evolved and were able to connect their own roles and contribute fully to meaningful work aligned to our purpose.

Mr. Tom Moran held regular meetings with the Chief Human Resources Officer and the Group Human Resources Team to provide his feedback from the engagement activities. He also presented regular reports to the Board on the activities undertaken and shared his feedback and findings where applicable.

Mr. Tom Moran is satisfied that the employee engagement process is being successfully operated within the Group and, despite the pandemic constraints, has been very productive. He, and the officers leading the process, have kept the Board informed on its progress and on the views of the workforce.

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 30 April 2020, 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 2020, 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

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

The principal role of the Senior Independent Director (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. The SID is also responsible for leading a formal succession process for the role of Chairman. The SID is 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 that 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.

Commitments

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 Governance, Nomination and Sustainability Committee on an ongoing basis in accordance with its Terms of Reference.

All Directors must seek prior approval of the Board in advance of undertaking any additional external appointments. Before approving any additional external appointment, the Board considers the time commitment required for the role. Each proposed external appointment is reviewed independently.

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 Governance, Nomination and Sustainability 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 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 Chairs.

Further details on the duties, operation and activities of all Board Committees can be found in their respective reports on pages 107-149 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 Committees of which they are members and the AGM. 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 the Group's response to the COVID-19 pandemic and to consider strategic acquisition opportunities. As a result, a total of 14 meetings were held in 2020, with all meetings held virtually from April onwards due to the imposition of COVID-19 related restrictions and to ensure that the health & safety of our Board and colleagues was protected. Individual attendance at the Board and Committee meetings is set out in the table below.

Directors	Board	Audit Committee	Governance, Nomination and Sustainability Committee	Remuneration Committee
Philip Toomey	14/14	–	6/6	–
Edmond Scanlon*	14/14	–	–	–
Marguerite Larkin*	14/14	–	–	–
Gerry Behan*	14/14	–	–	–
Hugh Brady	14/14	6/6	6/6	–
Gerard Culligan	12/14	–	–	–
Karin Dorrepaal	14/14	–	6/6	6/6
Joan Garahy	14/14	6/6	–	6/6
Emer Gilvarry**	2/2	2/2	–	–
James C. Kenny***	6/6	–	2/2	3/3
Tom Moran****	14/14	4/4	1/1	6/6
Con Murphy	13/14	–	–	–
Christopher Rogers*****	14/14	6/6	–	3/3

* Executive Directors

** Ms. Emer Gilvarry was appointed to the Board on 1 November 2020 and was appointed to the Audit Committee on the same date.

*** Mr. James C. Kenny retired from the Board following the conclusion of the AGM on 30 April 2020.

**** Mr. Tom Moran stepped down from the Audit Committee on 1 November 2020 and was appointed to the Governance, Nomination and Sustainability Committee on the same date.

***** Mr. Christopher Rogers was appointed to the Remuneration Committee on 30 April 2020.

Attendance statistics represent: Total number of meetings attended by the Director/Total number of meetings held during the year which they were eligible to attend.

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 Executive Management and an outline of the principal risks and uncertainties facing the Group. Details of the induction programme undertaken by Ms. Emer Gilvarry are outlined in the Governance in Action below.

GOVERNANCE IN ACTION:

New Director Induction

New non-Executive Director Ms. Emer Gilvarry was appointed to the Board on 1 November 2020.

Overview

The Chairman, supported by the Company Secretary, is responsible for ensuring that new Directors have an appropriate induction on joining the Board. Each Director undergoes a full formal induction programme which is tailored to meet their individual requirements.

The purpose of the induction programme is to enable Directors to gain a full understanding of the Group, governance related matters and directors' duties and responsibilities.

Induction Activities

- provision of a detailed information pack including key corporate governance policies, board papers, financial and strategic documents and information on directors' duties and responsibilities;
- meetings with the Executive Directors;
- meetings with the Chairman, the Senior Independent Director and Remuneration Committee Chairperson, and the Audit Committee Chairman;
- meetings with functional leaders on matters such as board and corporate governance, internal audit, strategy, investor relations, human resources and sustainability;
- meetings with business leaders of the Taste & Nutrition and the Consumer Foods businesses to obtain an overview of each business; and
- meetings with external Auditors and other advisors.

Future Induction Plans

- site visits to see first-hand the Group's operations while engaging with employees and senior management. Timing of these visits has yet to be agreed due to the ongoing COVID-19 pandemic.

Mr. Jinlong Wang who was appointed to the Board with effect from 5 January 2021, will complete a full formal induction programme tailored to his requirements over the coming months.

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 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, an 'off-site' Board meeting is scheduled at a Group location and is combined with a comprehensive schedule of activities over a week long period, to allow non-Executive Directors further develop their understanding of the Group's activities and meet with local senior management and emerging talent. Due to the COVID-19 pandemic, the Board visit scheduled for June 2020 was cancelled.

The Board along with 400 senior managers attended a virtual three day Kerry Global Leadership Forum in October 2020 at which the Group's new vision statement, brand identity and sustainability strategy were unveiled. It also provided the Board with an opportunity to listen to and obtain feedback from senior management across the Group on subject matters such as leadership competencies, culture and values.

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 2020, Mr. Tom Moran, in his role as designated workforce engagement Director, visited two sites in Ireland: Kerry Foods in Coleraine and the Global Technology & Innovation Centre in Naas. Due to the COVID-19 pandemic, all other non-Executive Directors' international site visits were cancelled.

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 2020, the Board conducted an internal self-evaluation of the performance of the Board, Board Committees, the Chairman and individual Directors against a set of pre-defined key criteria. The review was led by the Chairman of the Board and the Senior Independent Director and was facilitated by the Company Secretary. The review was undertaken using Thinking Board, Independent Audit Limited's governance self-assessment process. Independent Audit Limited, based in the UK, is recognised as a leading firm of board reviewers, and has no other connections to the Group.

Topics covered during the Board Performance Evaluation included Board composition and succession planning, board meetings and papers, strategy and business model, mergers and acquisitions, risk management and the response to COVID-19.

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.

In December 2020, 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.

To conclude on the appraisal of the non-Executive Directors, the Chairman and the Executive Directors, results are collated, summarised and presented to the Board. The appraisal process concluded that each Director is performing well and is committed to their role in terms of dedication of time and attendance at meetings.

At the December Board meeting, the Board considered the outcomes of the Board evaluation report (including the Board Committees). Overall, the Board concluded that no area of significant weakness had been identified and that it and its committees operated effectively throughout the period under review. A number of points for improvement were identified and action plans established to address them. The actions identified from the 2020 performance evaluation included recommendations relating to Board composition and succession planning, executive succession planning, structure and content of Board papers and the appropriate time allocation between strategic priorities and other matters at Board meetings.

Progress against recommendations from the previous 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 areas for improvement identified from the 2020 evaluation report and areas for consideration arising from the Directors' appraisal, where identified, will be considered during 2021.

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 107-112.

Full details of the risk management systems are described in the Risk Management Report on pages 71-74.

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 73-82. 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 74. 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 2020, 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 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 an internal control self-assessment process covering material finance, operational and compliance controls across 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.

GOVERNANCE REPORT

Audit Committee Report



Christopher Rogers
Chairman of the
Audit Committee

Dear Shareholder,

On behalf of the Audit Committee, I am pleased to present the report for the year ended 31 December 2020. The purpose of the report is to provide an overview of how we have carried out our responsibilities during the year.

The Committee supports the Board in assessing the principal and emerging risks facing the Group, including reviewing the Group's risk management and internal control systems and overseeing the operation of the Group Internal Audit function. During 2020 this work was conducted against the backdrop of the COVID-19 pandemic and, whilst recognising the additional pressure and stress on the management and employees of the Group, our focus was on ensuring the ongoing robustness of the internal control and risk management systems and that the Group Internal Audit function continued to operate effectively. The work performed by the Committee in this regard, encompassing ongoing monitoring and the review of effectiveness is detailed on page 110.

The Committee is responsible for monitoring the integrity of the Group's Financial Statements and any formal announcements relating to the Group's financial performance. We reviewed the work completed by management in respect of the Going Concern and Viability Statements, including additional analysis to assess the impact, in the short to medium term, of the COVID-19 pandemic and concluded that there was no threat to the Group's prospects or viability. Further details are set out on page 83. The Committee also assisted the Board in determining that the Annual Report and Consolidated Financial Statements, when taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and the Company's position, performance, business model and strategy. The work completed in this regard is set out on page 109.

The Committee received a detailed briefing from management and the external auditor, PricewaterhouseCoopers (PwC), on preparations for completing the year end audit in light of the challenges posed by the COVID-19 pandemic.

The Committee was reassured by the actions management and PwC had taken, which ensured there was a minimal impact on the year end audit timetable. The Committee and the Board would like to thank the teams for responding to these challenges in such a positive manner.

The Committee oversees the relationship with the external auditor, including monitoring all matters associated with their appointment, remuneration, performance and independence and reviewing the scope and results of the audit and the effectiveness of the process. Further details with regard to the Committee's work in this regard are set out on page 111.

As outlined on page 112, the Committee has considered the requirements of the Companies Act 2014 in relation to the Directors' Compliance Statement and is satisfied that appropriate steps have been undertaken by the Company to ensure that it is materially compliant with its relevant obligations.

The Committee's key priorities for the coming year include continued focus on ensuring recommendations from Group Internal Audit reviews are implemented and working with the Board and Group management on continuous improvement to risk and financial management controls across the Group, in particular taking account of the Group's continuing growth and expanding geographical footprint.

I trust you will find this report useful in understanding the operation and activities of the Committee during the year and I welcome any comments from shareholders on my report.

A handwritten signature in dark ink, appearing to read 'Christopher Rogers', with a horizontal line underneath.

Christopher Rogers
Chairman of the Audit Committee

Roles and Responsibilities

The main roles and responsibilities of the Committee, which reflect the UK Corporate Governance Code and the Irish Annex and the Guidance on Audit Committees, are set out in its written Terms of Reference which are available from the Group's website www.kerrygroup.com or upon request.

The primary responsibilities outlined in the terms of reference are included in the table below:

Primary responsibilities of the Audit Committee

- monitoring the integrity of the Group's financial statements, including reviewing significant financial reporting judgements contained in them;
- reviewing the Interim Management Statements, the Interim and Annual Consolidated Financial Statements and considering the appropriateness of accounting policies and practices;
- advising the Board on whether it believes there are any material uncertainties which may impact the Group's ability to continue as a going concern or the Group's long-term viability;
- advising the Board on whether the Annual Report and Consolidated Financial Statements, when taken as a whole is fair, balanced and understandable;
- assisting the Board in its responsibilities in regard to the assessment of the principal and emerging risks facing the company, the monitoring of risk management and internal control systems, including a review of effectiveness;
- reviewing the operation and effectiveness of the Group Internal Audit function;
- making recommendations to the Board in relation to the appointment, re-appointment and removal of the Group's external auditor as well as monitoring their effectiveness and independence;
- reviewing, on behalf of the Board, the Group's whistleblowing arrangements for its employees and third parties to raise concerns in confidence about possible wrongdoings in financial reporting or other matters; and
- advising the Board in relation to compliance with stock exchange and other legal or regulatory requirements.

Committee Membership

The Audit Committee currently comprises four independent non-Executive Directors; Dr. Hugh Brady, Ms. Joan Garahy, Ms. Emer Gilvarry and is chaired by Mr. Christopher Rogers.

Ms. Emer Gilvarry joined the Committee upon her appointment to the Board on 1 November 2020 replacing Mr. Tom Moran who stepped down from the Committee on the same date.

The Board is satisfied that both Mr. Christopher Rogers and Ms. Joan Garahy meet the specific requirements for recent and relevant financial experience as set out in the Code.

The Board is also satisfied that together, the members of the Committee, as set out in their biographical details on pages 85-87, bring a broad range of relevant skills, experience and expertise, from a wide variety of industries and backgrounds, and as a whole have

competence relevant to the sectors in which the Group operates. The Company Secretary is the Secretary of the Committee.

Committee Meetings

Meetings are generally scheduled in line with key times in the Group's financial reporting calendar. The Committee met six times during the year and attendance at these meetings is outlined on page 103.

Typically, the Chief Executive Officer, the Chief Financial Officer, the Group Financial Controller, the Company Secretary and the Head of Internal Audit, as well as representatives of the external auditor are invited to attend meetings of the Committee. In addition, the Chairman of the Board attends meetings at the invitation of the Committee. When required, other key executives and senior management are invited to attend to present and provide deeper insight on various topics as are required by the Committee to discharge its duties.

The external auditor and the Head of Internal Audit have direct access to the Committee Chairman at all times and meet with the Committee, without other Executive Management being present, on a formal basis at least annually in order to provide additional opportunity for open dialogue and feedback.

After each Committee meeting, the Chairman of the Committee reports to the Board on the key issues which have been discussed.

Committee Evaluation

As outlined in detail on page 105, an internal evaluation of Board effectiveness included a review by the Committee of its own effectiveness. The output was discussed by the Committee and it was concluded that the Committee continued to operate effectively throughout the year as well as identifying ongoing areas of focus for the 2021 financial year.

Key Activities

Financial Reporting and Significant Financial Judgements

The Audit Committee reviewed the Interim Management Statements, the Interim and Annual Consolidated Financial Statements and all formal announcements relating to these statements before submitting them to the Board of Directors with a recommendation to approve. These reviews focused on, but were not limited to:

- the appropriateness and consistency of accounting policies and practices;
- the going concern assumption;
- compliance with applicable financial reporting standards and corporate governance requirements as well as the clarity and completeness of disclosures;
- the disclosures related to the impact of COVID-19 on both the current and projected performance and liquidity of the Group; and
- considering the significant areas of complexity, management judgement and estimation that had been applied in the preparation of the Consolidated Financial Statements in accordance with the accounting policies.

The Committee has, with the support of PwC as external auditor, reviewed the suitability of the accounting policies which have been adopted and whether management have made appropriate judgements and disclosures. The table below sets out the significant matters considered by the Committee in relation to the Consolidated Financial Statements for the year ended 31 December 2020.

Significant Financial Reporting Judgements	
Impairment of Goodwill and Indefinite Life Intangible Assets	Goodwill and indefinite life intangible assets, as disclosed in note 12 to the Consolidated Financial Statements, represents the largest number on the Group balance sheet at €3.9 billion. The Committee considered the process to complete the annual impairment review of the Group's goodwill and indefinite life intangible assets and specifically the assumptions used for the future cash flows, discount rates, terminal values and growth rates. This included consideration of the impact of COVID-19 on such assessments and a consideration of the sensitivity analysis run by management. Following discussions with senior management and the external auditor, the Committee found that the methodology used for the above valuation and annual impairment review are appropriate and no impairment was identified.
Going Concern and Viability Statement	COVID-19 has impacted both the performance and cash flows of the Group and through the year management have undertaken detailed financial modelling exercises which have considered the impact on profit, growth, cash and working capital in a number of different scenarios. The Committee reviewed and challenged management's assumptions and modelling of projected cashflows and, in particular those related to the potential impact of COVID-19 on future trading performance. The Committee also considered the Group's financing facilities and future funding plans. Based on this, the Committee confirmed there were no material uncertainties that cast a significant doubt on the Group or the Company's ability to continue as a going concern and therefore the application of the going concern basis for the preparation of the financial statements continued to be appropriate and recommended the approval of the viability statement.
Business Combinations	The Group acquired three businesses during the financial year which were accounted for as business combinations. The Committee reviewed the methodology and assumptions applied in determining these provisionally estimated fair values and found the methodology and assumptions to be appropriate following discussion with senior management and the external auditor.
Taxation	Significant judgement and a high degree of estimation is required when arriving at the Group's tax charge and liability. The Committee, in conjunction with tax professionals, reviewed and discussed the basis for the judgments in relation to uncertain tax positions and challenged management on their assertions and also considered the outcome of the external auditors' review of the tax charge and liability. As a result, the Committee believes the impact of uncertain tax positions has been appropriately reflected in the tax charge and liability.

Fair, Balanced and Understandable

At the request of the Board, the Audit Committee reviewed the content of the Annual Report and Consolidated Financial Statements to ensure that it is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's and the Company's position, performance, business model and strategy.

In fulfilling this responsibility, the Committee considered the following:

- the timetable for the co-ordination and preparation of the Annual Report and Consolidated Financial Statements, including key milestones as presented at the December Audit Committee meeting;
- the systematic approach to review and sign-off carried out by senior management with a focus on consistency and balance; and
- a detailed report from senior finance management outlining the process through which they assessed the narrative and financial sections of the 2020 Annual Report to ensure that the criteria of fair, balanced and understandable has been achieved.

Management ensured that the draft Annual Report and Consolidated Financial Statements were available to the Audit Committee in sufficient time for review in advance of the Committee meeting to facilitate adequate discussion at the meeting.

Having considered the above, in conjunction with the consistency of the various elements of the reports, the narrative reporting, the language used and disclosures in relation to COVID-19, the Committee confirmed to the Board that the Annual Report and Consolidated Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and the Company's position, performance, business model and strategy.

Internal Control and Risk Management

The Audit Committee supports the Board in its duties to review and monitor, on an ongoing basis, the effectiveness of the Group's risk management and internal control systems. A detailed overview of the Group's risk management framework is set out in the Risk Management Report on pages 71-74.

Throughout the year, the Committee:

- reviewed and approved the assessment of the principal risks and uncertainties, including emerging risks, that could impact the achievement of the Group's strategic objectives as described on pages 76-82;
- received a presentation from the Head of Internal Audit on how the COVID-19 pandemic has impacted the Group's risk universe and the measures taken by the Group to mitigate the impact of the crisis. Further details are set out in the Risk Management Report on pages 74-75;
- received presentations from the Head of Internal Audit and management on an internal review of the Group's second line of defence structures; a number of enhancements which were identified were progressed in 2020 and will remain a focus in 2021;
- reviewed and approved an enhanced framework for the definition of risk appetite for each of the Group's principal risks and recommended the risk appetites as outlined for approval by the Board;
- received presentations on a selection of principal risks and discussed with senior management the material internal controls that exist to mitigate these to levels within the Group's risk appetite;
- reviewed quarterly reports from the Head of Internal Audit based on internal audits completed outlining non-compliances with Group controls and managements' action plans to address them;
- considered reports from the Head of Internal Audit on fraud investigations or other significant control matters which occurred during the year and approved plans to address and remediate the issues identified;
- received updates on the review of financial controls which concluded that except for a limited number of changes required as a result of remote working, primarily in relation to the form of physical evidencing of approval, the ongoing operation of our financial controls is substantially unaffected by COVID-19 restrictions;
- received updates from the Group Financial Controller on any control weaknesses identified through monthly financial review meetings;
- considered the results of the Kerry Control Reporting System (the internal control self-assessment review of material finance, operational and compliance controls) and concluded that the controls are operating effectively;
- assessed the Group's risk management and internal control framework in line with the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting; and
- reviewed the report from the external auditor in respect of significant financial accounting and reporting issues, together with significant internal control weakness observations.

The Audit Committee, having assessed the above information, is satisfied that the internal control and risk management framework is operating effectively and has reported this opinion to the Board.

Internal Audit

The Audit Committee is responsible for monitoring and reviewing the operation and effectiveness of the Group Internal Audit function including its focus, plans, activities and resources. To fulfil these duties the Committee:

- reviewed and approved the Group Internal Audit function's strategy and annual plan, which was constructed using a risk-based approach;
- approved revisions to the annual plan resulting from the impact of COVID-19 and the need to adapt to the changing business environment;
- considered and were satisfied that the competencies, experience and level of resources within the Internal Audit team were adequate to achieve the proposed plan;
- considered the role and effectiveness of Internal Audit in the overall context of the Group's risk management framework and was satisfied that the function has appropriate standing within the Group;
- received quarterly updates from the Head of Internal Audit on progress against the agreed plan including the results of internal audit reports and management's actions to remediate issues identified;
- received updates on the nature and extent of non-audit activity performed by Internal Audit;
- held a meeting with the Head of Internal Audit without the presence of management;
- ensured that the Head of Internal Audit had regular meetings with the Chairman of the Audit Committee and had access to the Chairman of the Board if required; and
- ensured co-ordination between Group Internal Audit and the external auditor to maximise the benefits from clear communication and co-ordinated activities.

In order to comply with the Chartered Institute of Internal Auditors (CIIA) requirements, an External Quality Assessment (EQA) by an independent body is conducted at least every five years to confirm conformance with the International Professional Practice Framework (IPPF) of the CIIA. The most recent EQA was completed in 2017 and the next review will be completed in 2022. On an annual basis, to ensure ongoing compliance with the IPPF, the Group Internal Audit function has an internal Quality Assurance and Improvement Program (QAIP) in place.

On the basis of the above, the Committee concluded that for 2020 the Group Internal Audit function operated effectively and is satisfied that the quality, experience and expertise of the function is appropriate for the Group.

External Auditor

On behalf of the Board, the Audit Committee has primary responsibility for overseeing the relationship with, and performance of, the external auditor. This includes making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, assessing their independence and effectiveness and approving the audit fee.

During the year, the Committee met with the external auditor without management present to discuss any issues that may have arisen during the audit of the Group's Consolidated Financial Statements.

Independence and Provision of Non-Audit Services

The Committee is responsible for ensuring that the external auditor is independent and for implementing appropriate safeguards where the external auditor also provides non-audit services to the Group.

PwC confirmed to the Audit Committee that they are independent from the Group under the requirements of the Irish Auditing and Accounting Supervisory Authority's Ethical Standards for Auditors. The audit lead engagement partner for the financial year ended 31 December 2020 is John McDonnell who was appointed in 2016. In order to ensure continued independence and objectivity he can only serve as lead engagement partner for a period of five years. He will therefore be replaced by Enda McDonagh for the financial year ended 31 December 2021 onwards.

In accordance with the Group's policy on the hiring of former employees of the current external auditor, the Committee reviews and approves any appointment of an individual, within three years of having previously been employed by the current external auditor, to a senior managerial position in the Group.

A formal policy governing the provision of non-audit services by the external auditor is in place and is reviewed and approved by the Audit Committee annually. This policy is in accordance with applicable laws and takes into account the relevant ethical guidance for auditors. This policy is designed to safeguard the objectivity and independence of the external auditor and to prevent the provision of services which could result in a potential conflict of auditor independence. The policy outlines the services which can be provided by the external auditor, the relevant approval process for these services, and those services which the external auditor is prohibited from providing.

In 2020, all non-audit services and fees were approved by the Audit Committee in line with policy. The Committee is satisfied that the non-audit fees paid to PwC, which were minimal, did not compromise their independence or objectivity. Full details of the fees paid to the external auditor during the year for non-audit services are outlined in note 3 to the financial statements. Having considered all of the above, the Committee concluded that the Group's external auditor is independent.

Effectiveness

Post completion of the 2019 audit, in conjunction with PwC, review meetings were held with senior finance management across all regions and it was confirmed by both parties that no issues had arisen during the audit process.

At the November Audit Committee meeting, PwC outlined to the Committee in detail the 2020 external audit plan including process and technology changes which were implemented to facilitate conducting the audit remotely. The Committee discussed the significant audit risks and key audit matters, audit scope and materiality amongst other matters. The Audit Committee agreed that the plan and the materiality at which any misstatements should be reported by PwC to the Committee was appropriate.

Prior to the finalisation of the 2020 Consolidated Financial Statements, the Audit Committee received a detailed presentation and final report from PwC. The Committee also considered feedback from the lead partner and senior executives in concluding that PwC effectively delivered against the objectives of the agreed audit plan.

In assessing the effectiveness of the external auditor, the Audit Committee also considered the following:

- the quality of presentations to the Board and Audit Committee;
- the technical insights provided relevant to the Group;
- key audit findings, including their robustness and perceptiveness in handling of key accounting and audit judgements; and
- their demonstration of a clear understanding of the Group's business and key risks.

On the basis of the above the Committee is satisfied with the effectiveness of the external auditors.

Appointment

PwC were appointed as external auditor in March 2016 following a comprehensive tender process which was overseen by the Audit Committee. On an annual basis, the Committee reviews the appointment of the external auditor, taking into account the auditor's effectiveness and independence. On that basis, the Committee recommended to the Board that PwC should continue in office as the auditor to the Group in respect of the year ending 31 December 2021.

The Audit Committee approved the remuneration of the external auditor, details of which are set out in note 3 to the Consolidated Financial Statements.

Directors' Compliance Statement

During the year, the Audit Committee reviewed the appropriateness of the Directors' Compliance Policy Statement and also received a report from senior management on the review undertaken during the financial year of the compliance structures and arrangements in place to ensure the Company's material compliance with its relevant obligations. On the basis of this review, the Committee confirmed to the Board that in its opinion the Company is in material compliance with its relevant obligations.

Whistleblowing and Fraud Arrangements

In accordance with the Provisions of the Code, the responsibility for overseeing whistleblowing is within the remit of the Board. During 2020, at the request of the Board, the Committee considered the Group's whistleblowing arrangements and assisted the Board in its assessment of the adequacy of these arrangements. Details of the Group's whistleblowing arrangements are outlined in the Corporate Governance Report on page 102.

The Committee also considered the Group's procedures for fraud prevention and detection to ensure that these arrangements allow for the proportionate and independent investigation of such matters and appropriate follow up action. Following this review, the Audit Committee confirmed to the Board that it was satisfied that the Group's fraud prevention procedures were adequate.

GOVERNANCE REPORT

Governance, Nomination and Sustainability Committee Report



Philip Toomey
Chairman of the
Governance, Nomination and
Sustainability Committee

Dear Shareholder,

On behalf of the Governance, Nomination and Sustainability Committee, I am pleased to present our report for the year ended 31 December 2020. This report sets out the Committee's key activities in 2020 as well as the Committee's priorities for 2021.

The Governance, Nomination and Sustainability Committee is responsible for evaluating the structure, size, composition and successional needs of the Board and its Committees and making recommendations on same, with due regard for Board diversity. Additionally, the Committee is responsible for the review of the results of the annual Board evaluation process as it relates to the Board and Committee performance and composition. The role of the Committee was expanded during the year to provide guidance and oversight on the implementation of the Group's sustainability strategy. The Terms of Reference were reviewed and updated accordingly.

During the year under review, the Committee continued to lead the Board refreshment process ensuring that the composition of the Board and its Committees has the correct balance of skills, knowledge, experience, diversity and independence. We engaged with executive recruitment consulting firms to conduct a search for new independent non-Executive Directors. Potential non-Executive Directors were considered by the Committee and a shortlist was interviewed after assessing their qualifications against the above criteria and their other time commitments. This culminated in the appointment of Ms. Emer Gilvarry and Mr. Jinlong Wang to the Board. Ms. Emer Gilvarry was appointed to the Board and the Audit Committee on 1 November 2020. She is a highly experienced professional who brings legal, business and corporate governance expertise to the Board. On the recommendation of the Committee, the Board also approved the appointment of Mr. Jinlong Wang as a non-Executive Director effective on 5 January 2021. His extensive knowledge of the Food & Beverage industry coupled with his in-depth understanding of Asian markets, brings a key set of skills and experience to the Board. The Committee also recommended changes to the composition of the Board Committees as outlined on page 116. The Committee continues to engage with executive recruitment consulting firms to identify an appropriate pipeline of candidates to join the Board as independent non-Executive Directors in the future.

Ms. Joan Garahy will not seek re-election at the 2021 AGM and will retire from the Board as Senior Independent Director and as Chair of the Remuneration Committee on 29 April 2021 having served nine years on the Board. She will be succeeded as Senior Independent Director by Dr. Hugh Brady and as Chair of the Remuneration Committee by Mr. Tom Moran.

I will have served nine years as a Director, including less than three years as Chairman, on 19 February 2021. The Committee is aware of the Provisions of the Code in respect of Chairman tenure and is undertaking a formal succession process which is being led by Ms. Joan Garahy as Senior Independent Director. The Committee and the Board have recommended that I continue as Chairman until the AGM in 2022, to allow appropriate time to identify a successor and to enable an orderly succession to the role.

The Committee also reviewed senior management development and succession plans having regard to business growth and geographic expansion and taking account of diversity goals below Board level.

During 2020, the Committee reviewed the Company's corporate governance policy and processes and monitored developments in corporate governance best practice.

An internal review of the effectiveness of the Board and its Committees was conducted during 2020 and the outcome of this review is that the Board and its Committees consider that they are operating effectively. Further details are outlined on page 105.

The Committee's priorities for 2021 will focus on Board and Committee refreshment, taking account of all skill sets required, diversity (beyond gender) and planned retirements over the coming years. The Committee will ensure that senior management development and succession planning can support the delivery of Group strategy and will also continue to focus on diversity and inclusion in the wider workforce.

Philip Toomey
Chairman of the Governance,
Nomination and Sustainability
Committee

Roles and Responsibilities

The main roles and responsibilities of the Committee, which were reviewed and updated during 2020, are set out in written terms of reference which are available from the Group's website www.kerrygroup.com or upon request.

The key responsibilities outlined in the Terms of Reference are included in the following table:

Primary Responsibilities of the Governance, Nomination and Sustainability Committee

- evaluating the balance of skills, experience, independence, knowledge and diversity of the Board to ensure optimum size and composition;
- ensuring an appropriate nomination process is in place for Board appointments;
- reviewing a candidate's other commitments to ensure that on appointment, a candidate has sufficient time to undertake the role;
- making recommendations to the Board on the appointment and re-appointment of both Executive and non-Executive Directors;
- ensuring a formal induction plan is in place for each new Director on appointment;
- making recommendations to the Board concerning membership of Board Committees in consultation with the Chairs of the Committees;
- ensuring plans and processes are in place for succession planning for Directors, including the Chairman, Senior Independent Director, non-Executive Directors and senior management positions;
- reviewing the Board diversity policy;
- overseeing the conduct of the annual evaluation of the Board and its Committees;
- monitoring and reviewing developments in law, regulation and best practice relating to corporate governance and making recommendations to the Board and Committees on changes or additional actions as appropriate; and
- providing guidance and oversight on the implementation of the Group's sustainability strategy.

Committee Membership

The Governance, Nomination and Sustainability Committee currently comprises three independent non-Executive Directors; Dr. Hugh Brady, Dr. Karin Dorrepaal, Mr. Tom Moran and is chaired by Mr. Philip Toomey. Mr. James C. Kenny retired from the Board and the Governance, Nomination and Sustainability Committee on 30 April 2020. Mr. Tom Moran joined the Governance, Nomination and Sustainability Committee on 1 November 2020. Biographical details for the members of the Committee are outlined on pages 85-87.

The quorum for Committee meetings is two and only Committee members are entitled to attend. The Governance, Nomination and Sustainability Committee may extend an invitation to other persons to attend meetings or to be present for particular agenda items as required. The Company Secretary acts as Secretary of the Committee.

During 2020, the Committee continued to work with SpencerStuart and Korn Ferry, executive recruitment consulting firms, to assist with Board refreshment. SpencerStuart has no other connections to the Group and Korn Ferry has no other connections to the Group other than acting as the advisor to the Remuneration Committee.

Committee Meetings

The Committee met six times during the year and attendance at these meetings is outlined on page 103.

Board Refreshment Policy

On an ongoing basis, the Governance, Nomination and Sustainability Committee reviews and assesses the structure, size, composition, diversity and overall balance of the Board and makes recommendations to the Board with regard to refreshment.

Appointments to the Board are for a three year period, subject to shareholder approval and annual re-election, after consideration of annual performance evaluation and statutory provisions relating to the removal of a Director. The Board may appoint such Directors for a further term not exceeding three years and may consider an additional term if deemed appropriate.

During the year, the Chairman conducted a rigorous review of all other non-Executive Directors as part of the Board evaluation process, taking into account the need for progressive refreshment of the Board. The Board explains to shareholders, in the papers accompanying the resolutions to elect and re-elect the non-Executive Directors, why it believes the individual should be re-elected based on the results of the formal performance evaluation. Details of Board refreshment activities during the year are outlined on pages 117-118.

Nomination Process

There is a formal, rigorous and transparent procedure in appointing new Directors to the Board. Details of this process are outlined in the Governance in Action table.

The Committee also makes recommendations to the Board concerning the re-appointment of any non-Executive Director at the conclusion of their specified term and the re-election of all Directors who are the subject of annual rotation. The terms and conditions of appointment of non-Executive Directors are set out in formal letters of appointment, which are available for inspection at the Company's registered office during normal office hours and at the AGM of the Company.

Governance in Action

Non-Executive Director Appointment

Mr. Jinlong Wang was appointed to the Board with effect from 5 January 2021. The key stages of the nomination process are outlined below.

1. Assessment	The Committee assessed the skill set, experience and diversity on the Board, the requirements to meet the Group's future growth plans, together with the planned retirements from the Board over the coming years.
2. Requirement	The Committee prepared a detailed role profile; identifying the need for a new non-Executive Director with international and Food & Beverage Industry experience and the capabilities to align with the Group's purpose, value and culture. The Committee also considered the Board's commitment to increase the representation of members with diverse backgrounds.
3. Search	The Committee instructed SpencerStuart to conduct a search for appropriate candidates for appointment to the Board based on the profile and skillset agreed by the Committee.
4. Screening	The Committee assessed the long list of candidates identified by SpencerStuart as having met the criteria.
5. Interview	A shortlist of potential candidates was interviewed by the Chairman, Committee and the Chief Executive Officer.
6. Approval	A formal recommendation was made by the Committee to the Board proposing the appointment of Mr. Jinlong Wang as a non-Executive Director. The Board approved the appointment of Mr. Jinlong Wang noting that he had a balance of skills, knowledge, experience and diversity that matched the requirements set. Appointment terms were drafted and agreed with him.

Succession Planning

The Governance, Nomination and Sustainability Committee reviews the succession plans for the Board and its Committees on an ongoing basis to ensure an orderly refreshment of membership, taking into account Group strategy, the challenges and opportunities facing the Group and the skills, knowledge and experience required.

The Committee also reviews succession plans for senior management, which form part of the Group's overall annual approach to succession planning and agrees these with the Chief Executive Officer before being presented to the Board. The succession planning process includes defining success criteria for prioritised key roles, identifying and evaluating candidate pools and aligning successor development activities with individual and business needs to ensure leadership continuity and improve the depth of the leadership succession pipeline. This process is fully documented and monitored throughout the year in conjunction with the Committee. Details of succession planning activities during the year are outlined in Our People on page 18.

Diversity, Inclusion and Belonging Policy

Diversity, Inclusion and Belonging is fully embraced at Kerry and the Group is committed to having a work environment that is respectful of everyone. We recognise the value that different perspectives and cultures bring to the organisation. Valuing differences creates a work environment which is positive and productive, where people can and want to do their best and where each individual can bring something unique to contribute to the overall success of Kerry.

The Group's Diversity, Inclusion and Belonging Policy is an integral part of the Group's Code of Conduct ensuring that diversity and inclusion are embedded in Kerry Group's core values. Within this, the Group seeks to recruit, hire and retain the best talent from a diverse mix of gender, background, nationality, ethnicity and other attributes with the skills and experiences to drive innovative thinking to enable a sustained competitive advantage.

The Board believes in the benefits of having a diverse Board and the value that it can bring to its effective operation. In accordance with the Board Diversity Policy, differences in background, gender, skills, experiences, nationality, ethnicity and other attributes are considered in determining the optimum composition of the Board with the aim to balance it appropriately. All Board appointments are made on merit, with due regard to diversity. The Board currently has a 31% female representation. In line with its diversity policy, and recommended best practice, the Board is committed to maintaining an appropriate gender balance and has an ambition to increase the representation of members with diverse backgrounds such as nationality, ethnicity and other attributes. In reviewing Board composition and agreeing a job specification for new non-Executive Director appointments, the Committee considers the benefits of all aspects of diversity including, but not limited to, those described above, in order to complement the range and balance of skills, knowledge and experience on the Board. As part of the identification process executive recruitment consultants are required to present a list of potential candidates, who meet the stated specification and requirements comprising candidates of diverse backgrounds, for consideration by the Committee.

In 2019, diversity goals were agreed for senior management succession pools with the Executive Directors and approved by the Board to improve the diversity profile of senior leadership teams and ensure internal candidate pools better reflect the broader cultural mix of people within the Group. The Committee reviews progress against these diversity goals each year, whilst taking account of business growth and geographic expansion within the organisation.

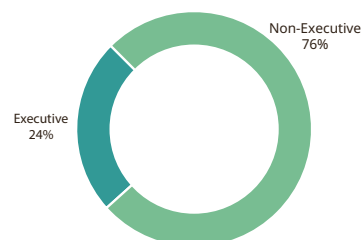
Further details of the Group's approach to Diversity, Inclusion and Belonging, including our broader organisational goals focused on building an inclusive and diverse workplace are outlined in our Sustainability Report on page 59 and in Our People on page 17.

Sustainability

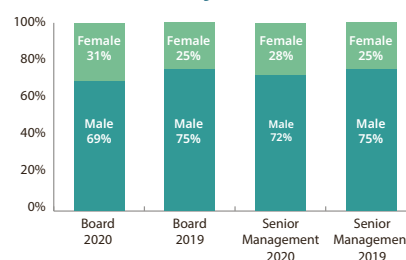
The role of the Committee was expanded to provide guidance and oversight on the implementation of the Group's 2030 sustainability strategy *Beyond the Horizon* following its launch in October 2020. The Committee will be supported in this work by the Global Sustainability Council whose members will be invited to Committee meetings to share their views on a variety of sustainability topics and to update the Committee on the implementation of the sustainability strategy. Details of the Group's sustainability performance, policies and programmes are outlined in the Sustainability Review on pages 46-70.

A summary of the Group's current position relating to Board and senior management diversity is provided below:

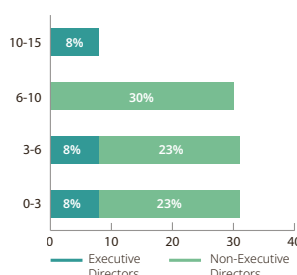
Executive/Non-Executive Directors



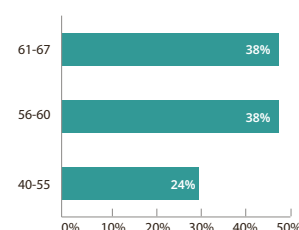
Gender Diversity



Board Tenure (Years)



Board Age Profile



Changes to the composition of the Board and its Committees for the year ended 31 December 2020

Mr. James C. Kenny

Retired from the Board, the Remuneration Committee and the Governance, Nomination and Sustainability Committee on 30 April 2020.

Mr. Christopher Rogers

Appointed to the Remuneration Committee on 30 April 2020.

Mr. Tom Moran

Stepped down from the Audit Committee and appointed to the Governance, Nomination and Sustainability Committee on 1 November 2020.

Ms. Emer Gilvarry

Appointed to the Board and the Audit Committee on 1 November 2020.

Mr. Jinlong Wang

Appointed to the Board with effect from 5 January 2021.

Key Activities

The key activities of the Committee throughout the year are detailed below:

Subject	Committee Activity
Board Size and Composition	In 2020, as part of its remit, the Committee considered the size and composition of the Board. At 31 December 2020, the Board comprised 12 members. The Board size reduced to 11 following the retirement of Mr. James C. Kenny on 30 April 2020 and increased to 12 following the appointment of Ms. Emer Gilvarry on 1 November 2020. The Board size increased further to 13 on 5 January 2021 following the appointment of Mr. Jinlong Wang. The Committee will continue to consider both Board size and composition during 2021.
Chairman Succession	During 2020, the Committee recommended to the Board that Mr. Philip Toomey continue as Chairman until the Annual General Meeting in 2022 which was formally approved by the Board. The Committee is undertaking a formal succession process which is currently being led by Ms. Joan Garahy as Senior Independent Director and will be continued by Joan's successor as Senior Independent Director on her retirement at the conclusion of the 2021 AGM.
Senior Independent Director Succession	Ms. Joan Garahy will retire as Senior Independent Director and from the Board at the conclusion on the AGM to be held on 29 April 2021 having served nine years on the Board. The Governance, Nomination and Sustainability Committee has completed a formal process and has recommended to the Board the appointment of Dr. Hugh Brady as Senior Independent Director at the conclusion of the 2021 AGM.
Board Refreshment	Mr. James C. Kenny retired from the Board on 30 April 2020. New non-Executive Directors, Ms. Emer Gilvarry and Mr. Jinlong Wang were appointed to the Board on 1 November 2020 and 5 January 2021 respectively, following searches conducted by the Committee in conjunction with executive recruitment consulting firms. The Committee and the Board agreed that Ms. Emer Gilvarry and Mr. Jinlong Wang had a balance of skills, knowledge, experience and diversity that matched the requirements set.
Committee Refreshment	Mr. James C. Kenny retired from the Remuneration Committee and the Governance, Nomination and Sustainability Committee on 30 April 2020. Mr. Christopher Rogers was appointed to the Remuneration Committee on 30 April 2020; Mr. Tom Moran stepped down from the Audit Committee and was appointed to the Governance, Nomination and Sustainability Committee on 1 November 2020 and Ms. Emer Gilvarry was appointed to the Audit Committee on 1 November 2020 on the same date as her appointment to the Board. There were no other changes to the composition of the Board Committees during the year. The Committee will continue to consider Committee refreshment with a particular focus on the Audit and Remuneration Committees in 2021.
Remuneration Committee Chairperson	Ms. Joan Garahy will retire as Chairperson of the Remuneration Committee and from the Board at the conclusion on the AGM to be held on 29 April 2021 having served nine years on the Board. The Governance, Nomination and Sustainability Committee has completed a formal process and has recommended to the Board the appointment of Mr. Tom Moran as Chairman of the Remuneration Committee at the conclusion of the 2021 AGM.

Key Activities (continued)

Subject	Committee Activity
Re-appointment of non-Executive Directors	During the year, Ms. Joan Garahy completed eight years as a non-Executive Director and Dr. Hugh Brady and Dr. Karin Dorrepaal each completed terms of six years as non-Executive Directors. Following a rigorous review of their skills, knowledge, experience and independence, the Board on the recommendation of the Committee, agreed that Dr. Hugh Brady, Dr. Karin Dorrepaal and Ms. Joan Garahy continue to be effective and independent and make a valuable contribution to the Board, and re-appointed them to serve additional terms. During the year, Mr. Gerard Culligan and Mr. Con Murphy each completed a three year term as non-Executive Directors. After detailed consideration, including a review of their performance and independence, the Board, upon the recommendation of the Committee, agreed that they would serve additional terms.
Board and Committees Effectiveness Evaluation	As outlined in detail on page 105, an internal evaluation of the Board and its Committees took place in 2020 in line with the provisions of the 2018 UK Corporate Governance Code and the Irish Annex. The Committee considered the outcome of this evaluation and identified the areas relevant to the Governance, Nomination and Sustainability Committee. Each recommendation was assessed, and an action plan was developed to address areas for potential improvement. These recommendations will be reviewed and considered by the Committee in 2021.
Senior Management Development and Succession	During the year, the Committee reviewed senior management development and succession plans having regard to agreed diversity goals to ensure the appropriate level of skills and diversity will exist to support the delivery of the Group's strategy.
Corporate Governance Review	During 2020, the Committee reviewed the Company's corporate governance policy in the context of the 2018 UK Corporate Governance Code and monitored developments in corporate governance best practice.
Sustainability Strategy	Following the launch of the Group's sustainability strategy <i>Beyond the Horizon</i> in October 2020, the role of the Committee was expanded to provide guidance and oversight on the implementation of the sustainability strategy.
Terms of Reference	During the year, the Committee reviewed and updated its Terms of Reference. A copy of these terms is available on the Group website www.kerrygroup.com.

GOVERNANCE REPORT

Remuneration Committee Report



Joan Garahy
Chairperson of the
Remuneration Committee

Section A: Chairperson's Annual Statement

Dear Shareholder,

On behalf of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2020 which contains:

- the proposed Directors' Remuneration Policy, to be put to an advisory vote at the 2021 AGM; and
- the annual Remuneration Report, describing how the new policy will be implemented in 2021 and how our existing policy has been put into practice during 2020.

Impact of COVID-19

2020 was no doubt a dynamic and challenging year, and we have seen unprecedented variability and complexity across our industry. Kerry's business has been resilient throughout the global COVID-19 pandemic due to the agility of our Executive Directors, our leadership teams and our people across the world in adapting to these changing conditions.

From the outset of the pandemic, we have put the safety and wellbeing of our people at the core of our coordinated global response, ensuring we could safely fulfil our critical role in the global food supply chain. Through our globally coordinated investments and efforts in 2020, we have kept all 149 manufacturing and R&D facilities operational to meet our customers' and consumers' needs, and have supported and enabled our customers through insights and innovation to adapt their offerings to rapidly changing consumer needs and behaviours.

The safety and wellbeing of our people has been at the core of our coordinated global response, and we have invested significantly in COVID-19 specific health & safety measures across all our operations, ensuring our site-based operations and R&D teams can work safely and securely on-site throughout the pandemic. We have facilitated homeworking for all other employees. We responded swiftly in early 2020 to adapt our global people policies to the new realities presented by COVID-19. Changes we made include a global self-isolation pay policy, a global employee assistance programme, introduction of agile working principles as well as a number of wellbeing and learning initiatives.

Against a challenging economic backdrop, we have worked to minimise the economic impact of COVID-19 on our people. We made a conscious decision in 2020 to retain basic pay for all salaried employees despite market movements, and where changing customer demand has impacted site manufacturing volumes, we have utilised all possible levers including reallocation, shift patterns and leave management to avoid COVID-19 related redundancies. These efforts have resulted in approximately 100 COVID-19 related redundancies globally and very limited use of temporary layoffs/furloughing. In achieving the above, Kerry chose not to benefit from COVID-19 related government support (including in respect of employees furloughed) in any of our key geographies.

The Group delivered for its shareholders through sustained dividend payments and share price performance throughout 2020 and there was no requirement to raise share capital.

As a solidarity gesture, in light of the COVID-19 crisis and those impacted, the Group's Executive Directors, Chairman and non-Executive Directors volunteered a 25% reduction in their 2020 basic salary/fees for a three-month period.

Remuneration Policy Review

During 2020, consistent with our three-year review cycle, the Committee completed an extensive review of the Group's Directors' Remuneration Policy in conjunction with our external advisors Korn Ferry. Arising from this review a new policy will be put to an advisory vote at the 2021 AGM.

Proposed Remuneration Policy

Our current policy was implemented in 2018 and received a high level of support from shareholders at the 2018 AGM, with a 97.7% vote in favour. Since then, in line with our growth strategy, the Group has increased substantially in size and complexity, consistently delivering significant and sustained value to shareholders. As at 31 December 2020 our market capitalisation was €20.9bn which for context, would have placed Kerry Group plc within the 30 largest companies included in the FTSE 100 Index.

Key Developments Since Last Policy Review¹

9%	Revenue increased by 9%	27% ²	Market capitalisation increased by 27% ²
19	New manufacturing plants	24	Acquisitions completed
+2,050	Employees	29%	TSR growth of 29%

1. Calculated versus 2017, the year the last policy review was completed

2. Based on share price as at 31 December 2020

The executive team is well established, with the CEO in position since 2017, CFO since 2018 and CEO T&N since 2008, and has performed exceptionally well in leading the growth detailed above. In 2020 the executive team demonstrated exceptional leadership through a challenging and unprecedented global pandemic, delivered sustained shareholder return and robust recovery from the impact of COVID-19 through the second half of the year. During the year, we also made significant progress on our sustainability agenda, culminating in the launch of our 2030 sustainability strategy *Beyond the Horizon*.

This year's review provided the Committee with the opportunity to ensure our Directors' Remuneration Policy reflects the current size and scale of Kerry, and that it is appropriately aligned with our strategic objectives and sustainability ambitions. To inform the review, the Committee considered evolving shareholder expectations regarding executive pay, pay practices in comparable companies, and recent developments in corporate governance requirements (including the updates in the 2018 UK Corporate Governance Code and the EU Shareholders' Rights Directive, which was transposed into Irish law during 2020).

Kerry's Remuneration Principles

Delivery of Group Purpose, Values and Strategy

The Group's Executive Director short and long-term remuneration philosophy is to ensure that executive remuneration is aligned to the Group's purpose and values, supports strategy and promotes the long-term success of the Company.

Creating Sustainable, Long-Term Performance

Remuneration includes performance related elements designed to align Directors' interests with those of shareholders and to promote long-term sustainable growth and performance at the highest levels in line with the Group's strategy.

Attract, Motivate and Retain Talent

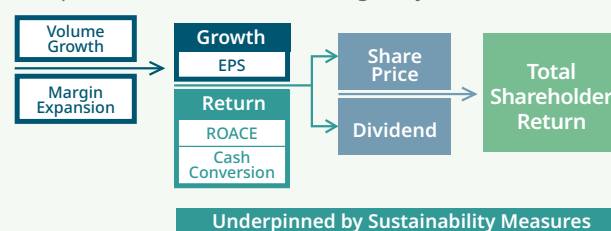
Market-competitive total remuneration is structured to attract, motivate and retain individuals of the highest quality on an international basis.

Shareholder Interests

By incorporating a high proportion of Executive Directors' potential remuneration to short-term and long-term performance metrics with robust share ownership requirements, the Remuneration Committee believes that the interest and risk appetite of the Executive Directors is properly aligned with the interests of the shareholders and other stakeholders.

Pay for Performance

The Committee ensures alignment with shareholders' long-term interests by aligning remuneration metrics with the Group's business model and strategic objectives.



Consistent with our approach in previous policy reviews, the Committee's pay reference group comprised nineteen FTSE, seven US and five European peer companies with comparable market capitalisation, size, geographical spread and complexity of business.

Following detailed review, the Committee concluded that the core substance of our existing policy continues to be aligned with our business strategy and priorities and this was endorsed by our shareholders during consultation. As such, whilst there are no substantive changes proposed to the pay model approved in 2018, we are proposing a number of policy adjustments with effect from 2021 that reflect Kerry's growth in size and complexity since the last policy review as well as the evolution of our strategy and shareholder expectations regarding executive pay.

Full details of the proposed changes to our Remuneration Policy are provided on pages 126-128, with the key changes summarised as follows:

- implementing a phased increase to remuneration quantum through our short-term incentive plan 'STIP' and long-term incentive plan 'LTIP' to take account of our growth in size and complexity;

- toughening the approach to target setting within the STIP through reducing the target bonus opportunity to 50% of the maximum (from 70%), with no softening of expected performance levels;
- increasing the proportion of the STIP subject to strategic objectives from 10% to 20%, to ensure focus on the achievement of long-term strategic priorities;
- reflecting the launch of our 2030 sustainability strategy *Beyond the Horizon* goals, through incorporating medium-term sustainability targets in our LTIP;
- toughening the total shareholder return target setting in the LTIP through a reduction of the proportion of this part of the award that vests (from 30% to 25%) on meeting the threshold performance level;
- simplification of the vesting schedules that apply to our LTIP EPS and ROACE performance metrics, with straight line vesting from threshold to maximum;
- enhancing the long-term focus in our policy through increased deferral of both STIP and LTIP awards;
- strengthening the recovery and withholding (malus and clawback) provisions in both the STIP and LTIP rules along with enhanced Committee discretion;
- implementing higher in-service shareholding requirements and introducing post-employment shareholding guidelines to further enhance the long-term focus in our revised policy; and
- committing to a reduction of incumbent Executive Director pension contributions to align them with the contribution rate of Kerry's Irish general workforce (10%) with effect from the end of 2022.

The Committee is conscious of the need to apply restraint in Executive Remuneration at all times but recognises the particular sensitivity at the current time. As a result, the Committee is phasing part of the increases to quantum over two years and has structured the policy changes detailed above such that all variable pay is subject to meeting or exceeding robust performance requirements consistent with our ambitious growth strategy.

The Committee is satisfied that the new Remuneration Policy rewards the Executive Directors for their significant contribution and growth in roles and results in a total remuneration level consistent with the median for the pay reference group.

New LTIP and All Employee Share Plan

The Group's existing LTIP is due to come to the end of its ten-year life in 2023. To align with the proposed Directors' Remuneration Policy, the Remuneration Committee has also decided to seek shareholder support at the 2021 AGM for a new LTIP which will enable the above policy to be implemented throughout the policy period.

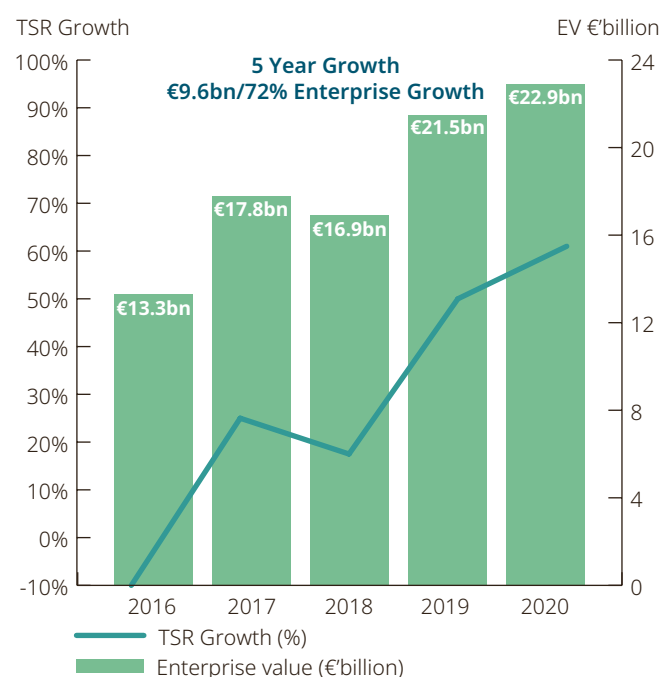
The Committee will also seek shareholder approval for an All Employee Share Plan which at a later date will allow for the grant of various share-based awards to all employees across the Group once implemented. The Committee wishes to ensure that all Kerry employees have the ability (subject to local tax and securities laws) to become shareholders in the Company and benefit from the future success of the Group.

Shareholder Consultation

On behalf of the Remuneration Committee, I had the opportunity to consult during the year with our major shareholders, along with shareholder representative bodies and proxy voting agencies, as we considered our proposals for the latest Directors' Remuneration Policy. I would like to take this opportunity to thank all those who met with me and for the valuable comments, perspectives, and specific feedback provided which have been very helpful and constructive in shaping the final policy approved by the Committee. Shareholder feedback informed our decision to implement a phased approach to remuneration quantum increases within the context of the current environment driven by the COVID-19 pandemic. Shareholders' input and advice also helped us to finetune the sustainability metrics that will be included in our new LTIP.

The proposed Directors' Remuneration Policy will be put to an advisory vote at the 2021 AGM and I would be grateful for your support in ensuring we have a policy that supports achievement of our growth and sustainability ambitions over the next three years, whilst meeting the highest standards of corporate governance.

Remuneration Policy Implementation 2021



Basic Salary

For 2021, no substantive increases are proposed, and the basic salaries of the Executive Directors will be increased as normal in line with increases applied to the general workforce (i.e. a range of 2.5%-3%) in Ireland and the US respectively.

Pension Alignment

As detailed on page 127 Executive Directors' pension contribution rates will be aligned to those of Kerry's general workforce in Ireland with effect from 31 December 2022. Existing arrangements will apply for 2021.

2021 Short-Term Incentive Plan

A review of the STIP design and metrics was completed to ensure that they are aligned to strategy, consistent with best practice, and that the targets are appropriately stretching. The 2021 STIP will continue to operate on a similar basis to 2020 but will be updated to reflect an increased weighting on the strategic element (from 10% to 20%) with a proportionate reweighting of the other metrics which remain unchanged. A proposed increase to quantum will also be implemented in 2021 with the CEO's maximum STIP opportunity increasing to 200% of basic salary (from 150%) and the CFO's and CEO Taste & Nutrition's maximum STIP opportunity increasing to 175% of basic salary (from 125%). In consideration of the higher maximum opportunity, as well as wider market practice, target STIP opportunity for all three Executive Directors will be reduced from the current 70% of maximum opportunity to 50% of maximum opportunity (with no softening of expected performance levels). In addition, the portion of STIP deferred into shares/ options will be increased to 33% (from 25%).

Full details of all proposed changes in the new STIP policy are outlined in the Remuneration Policy on page 127.

2021 Long-Term Incentive Plan

A review of the LTIP design and metrics was also completed in 2020. Consistent with the launch of our 2030 sustainability strategy *Beyond the Horizon* in October 2020, a new sustainability element, will be included in the LTIP, with a weighting of 20%. Other metrics will remain unchanged and will be proportionately reweighted. The maximum LTIP opportunity for 2021 will be increased to 250% of basic salary for the CEO (from 200%) and to 225% of basic salary for the CFO (from 180%) and CEO Taste & Nutrition (from 200%). In line with current best practice and the UK Corporate Governance Code requirements, the two-year holding period will apply to 100% (previously 50%) of future vested long-term incentive awards that are awarded from 2021 onwards.

Full details of changes proposed in the new LTIP policy, are outlined in the Remuneration Policy on page 127.

Pay for Performance

Kerry has a strong track record of demonstrating appropriate rigour and discipline when setting stretching targets as illustrated by the following chart.

The Committee is satisfied that the targets set for the 2021 STIP and LTIP awards are appropriately stretching given the current challenging environment, overall market growth rates and the level of capital expenditure required to support future growth ambitions.

Year	STIP		LTIP % of Max Achieved
	% of Target Achieved	% of Max Achieved	
2015	81%	57%	62%
2016	90%	63%	29%
2017	108%	75%	62%
2018	85%	59%	64%
2019	104%	73%	63%
Average	94%	65%	56%

Non-Executive Director Fees for 2021

Non-Executive Director fees were last reviewed in 2017 and increases were made effective from 1 January 2018. The fees have not been increased since then and have not been subject to increases for annual inflation.

The Chairman and non-Executive Directors' fees were reviewed as part of the overall policy review. Following the review, and having consulted with shareholders, the Chairman's fee is being increased by €27,500 to €385,000 and the basic non-Executive Directors' fee is being increased by €6,000 to €84,000. These increases represent the equivalent of an annual 2.5% increase since the last review, in line with the annual increase applied to the general workforce in Ireland over the same three-year period. Following the adjustment, the Chairman's fee and the non-Executive Director fees remain within the market median range. The allowance for non-Executive Directors based outside of Europe will also be increased to reflect the extra time commitment required to travel to our Board meetings. All proposed changes are outlined in the Remuneration Policy on page 128.

Remuneration Policy Outturn 2020

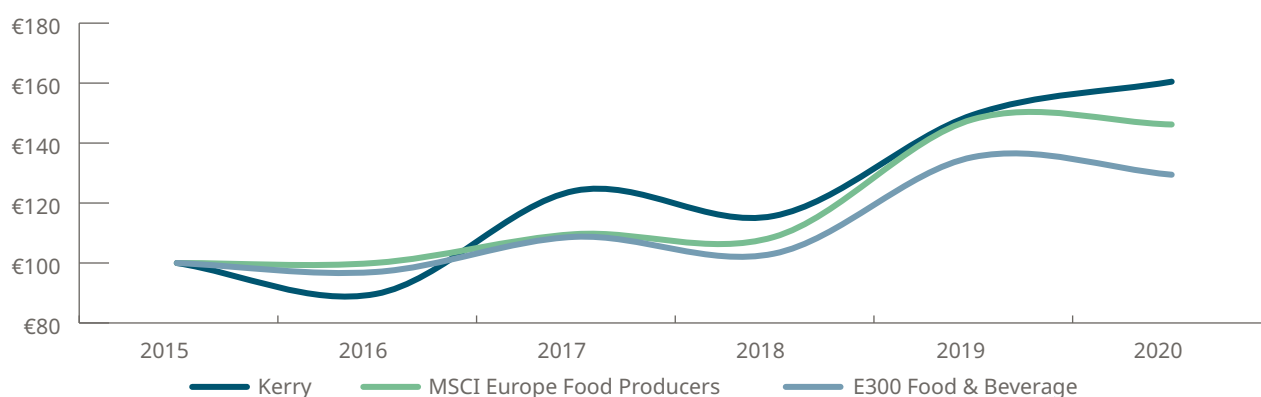
In determining the Executive Director's remuneration outturns for the financial year, the Committee maintained a clear and rigorous focus on aligning pay with performance in the context of a very challenging year.

In 2020, despite the impact of COVID-19, our market capitalisation and Total Shareholder Return increased. The Total Shareholder Return graph at the top of the next page shows that Kerry has generated a 60% return for shareholders (including reinvestment of dividends) over the last 5 years, outperforming its market indices.

2020 Short-Term Incentive Plan Outturn

As a direct result of the COVID-19 related restrictions, and their impact on business performance in the first half of 2020 in particular, the threshold performance level for the financial metrics in the STIP were not achieved.

5 Year Total Shareholder Return (Value of €100 Invested on 31/12/2015)



The Committee carefully assessed the performance of the Executive Directors against their individual Personal and Strategic objectives in line with normal practice. This assessment determined that an above target performance was achieved by all three Executive Directors, as detailed on pages 138-140. However, in light of the overall performance, and following a request from the Executive Directors not to be considered for any element of their annual bonus in respect of 2020, the Committee agreed that no award should be granted under this element of the STIP.

As a result of the financial performance and downward discretion applied in respect of the Personal and Strategic objectives, there was no payout under the 2020 STIP to Executive Directors.

Long-Term Incentive Plan 2018-2020 Outturn

The three year performance period in respect of the 2018-2020 LTIP award ended on 31 December 2020. The 2018 LTIP award was subject to Adjusted Earnings per Share (EPS), Total Shareholder Return (TSR) and Return on Average Capital Employed (ROACE) performance metrics.

Good performance was achieved against our TSR and ROACE performance metrics over the three year period. However, the COVID-19 pandemic had a significant impact on the EPS metric in 2020 (-9.4%), which effectively negated the strong EPS growth achieved in 2018 (+8.6%) and 2019 (+8.3%). As a result, the threshold level for this metric, weighted at 50% of the overall award, was not achieved.

The Committee, having considered the current environment, and following consultation with major shareholders and proxy voting agencies, decided not to amend the formulaic outcome. This is despite some compelling arguments in support of an inflight adjustment to recognise the anomalous conditions created by the global pandemic and the impact specifically of a negative EPS outturn in 2020 negating the growth already achieved in 2018 and 2019. While the decision was made not to exercise discretion for the 2018 LTIP, the Committee would like to emphasise its appreciation of the strong executive leadership over the three year performance period (and especially in 2020), as well as the resilience of the Kerry business and sustained shareholder return against the backdrop of the COVID-19 pandemic.

The final outcome of the 2018-2020 LTIP award was 32.5% of maximum opportunity as outlined in further detail on page 142.

Discretion

The Committee is satisfied, in reviewing the remuneration for 2020 against performance, that there has been an appropriate link between reward and performance. In assessing performance, the Committee also considered relevant environmental, social and governance (ESG) matters when reviewing the remuneration outturns.

Other Matters

EU Shareholders' Rights Directive

During 2020, the Committee implemented the new requirements under the EU Shareholders' Rights Directive which came into law in Ireland during 2020. The required enhanced disclosures have been reflected in this report.

Conclusion

As noted earlier the new Remuneration Policy for the period 2021 to 2023 and the implementation of the existing policy in 2020 will be put to shareholders as two separate advisory votes at this year's AGM. Last year almost 97% of our shareholders who voted, voted in favour of the Directors' Remuneration Report. I would like to express again my appreciation to those shareholders who engaged with us as part of the 2021 Remuneration Policy review. I believe what we have proposed, and refined based on shareholder feedback, reflects a continuation and improvement of the policy implemented in 2018 and will help drive Kerry's future growth and continued success.

As this is my last report as the Chairperson of the Remuneration Committee, I would like to take this opportunity to thank the members of the Remuneration Committee, the wider Board, and all our shareholders for their support during my years as Chairperson of the Committee, it has been a real pleasure to be part of the journey with Kerry Group plc.

Joan Garahy
Chairperson of the Remuneration Committee

Section B: Remuneration Committee and Key Activities

Committee Membership

During 2020, the Remuneration Committee comprised four independent non-Executive Directors; Dr. Karin Dorrepaal, Mr. Tom Moran, Mr. Christopher Rogers and was chaired by Ms. Joan Garahy. Following James C. Kenny's retirement from the Board and the Committee in April, Christopher Rogers was appointed to the Committee. Details of the skills and experience of the Directors are contained in the Directors' biographies on pages 85-87.

Role and Responsibilities

On behalf of the Board, the Remuneration Committee is responsible for determining the Remuneration Policy for the CEO, other Executive Directors and senior management on an annual basis. The CEO is invited to attend Remuneration Committee meetings but does not attend Committee meetings when his own remuneration is discussed. The Committee also has access to internal and external professional advice as required. The Committee follows an annual and tri-annual calendar with matters scheduled and planned well in advance. Decisions are made within agreed reference terms, with additional meetings held as required. In considering the agenda, the Committee gives due regard to overall business strategy, the interests of shareholders, employees and the performance of the Group. The main responsibilities of the Committee, which were reviewed during 2020, are set out in written terms of reference which are available from the Group's website www.kerrygroup.com or upon request.

Primary Responsibilities of the Remuneration Committee

- To determine the Remuneration Policy for, and set the remuneration of the CEO, Executive Directors and senior management;
- To review the remuneration of the Chairman;
- To receive the recommendations of the CEO and set the salaries and overall remuneration of senior management;
- To review and approve incentive plan structures and targets;
- To agree the design of all share incentive plans for approval by the shareholders;
- To ensure alignment of incentives and rewards with strategy, values and culture;
- To ensure the contractual terms of Executive Directors and senior management are deemed fair and reasonable;
- To place before shareholders at each AGM, a Directors' Remuneration Report setting out the Group's policy and disclosures on remuneration;
- To arrange where appropriate, external benchmarking of overall remuneration levels and the effectiveness of incentive schemes;
- To review annually its own performance and terms of reference to ensure it is operating effectively;
- To engage with the workforce to explain how executive remuneration aligns with the wider company pay policy;
- To review workforce remuneration and related policies and the alignment of incentives and rewards with the Group's culture, and take these into account when setting the policy for executives; and
- To consider appropriate application and use of clawback and malus provisions as well as discretion to adjust the formulaic outturns for performance related pay.

Remuneration Committee Meetings and Activities 2020

The Committee held four scheduled meetings and two additional meetings during 2020. The additional meetings were required due to the significant amount of work associated with the policy review that was completed during the year. Attendance at these meetings is outlined on page 103.

The key activities undertaken by the Committee in discharging its duties during 2020 are set out below:

Subject	Remuneration Committee Activity
Remuneration Report	A review of best practice remuneration reporting was completed during 2020 to ensure compliance with relevant legislation and reporting requirements while also ensuring the delivery of a report which is transparent and understandable for all shareholders. As part of this review, the Committee considered the recent updates and guidance issued by the main shareholder representative bodies and proxy agencies, together with the 2014 Irish Companies Act, the EU Shareholders' Rights Directive (which has now been transposed into Irish law), the 2018 UK Corporate Governance Code and the UK Companies (Miscellaneous Reporting) Regulations 2018.
Remuneration Policy Review	In line with the normal three-year cycle the Committee completed a review of the existing Remuneration Policy during 2020 and arising from this review a new policy will be put to an advisory vote at the 2021 AGM. See Remuneration Policy Review and Implementation sections for proposed changes.
Impact of COVID-19 on pay and conditions for the general workforce and on inflight STIP and LTIP awards	The Committee considered the impact of COVID-19 on the pay and conditions for the general workforce and on inflight STIP and LTIP awards. See Implementation section on pages 134-136 for details on the outcome of the review and proposed changes.

Subject	Remuneration Committee Activity
Senior Management	In accordance with the terms of the Code the Committee set the remuneration arrangements for senior management and the Company Secretary.
Workforce Remuneration and Related Policies	During the year, the Committee was provided with information on pay policies and procedures for the wider workforce to consider and review fairness and alignment with Group strategy and the Executive Directors' Remuneration Policy, as well as to inform its decision making in relation to Executive Director remuneration. This included an update on the impact which COVID-19 had on the pay and conditions for the wider workforce, an update on the implementation of the findings from the Total Reward Review that was conducted in 2019, a review of gender pay and an overview of the approach for the annual pay reviews in all the countries in which the Group operates, as well as the structure and annual cost of the STIP and LTIP awards below Board level. See Implementation Section on pages 134-136 for details on the outcome of the review and proposed changes.
New LTIP and All Employee Share Plan	During the year the Committee agreed to implement a new LTIP and an All Employee Share Plan. Shareholder approval for the new LTIP plan will be sought at the 2021 AGM and subsequent approval will be sought at a later date for the All Employee Share Plan.
Shareholder Consultation	The Committee reviewed the results of the shareholder vote on the Remuneration Report at the 2020 AGM noting that 96.6% of shareholders supported the Report. The Committee also reviewed the additional feedback received from the shareholder proxy agencies. In late 2020, the Chairperson of the Committee consulted with a number of the Company's major institutional shareholders and with proxy agencies regarding the proposed 2021 Remuneration Policy and the impact of COVID-19 on inflight LTIP awards. The Committee welcomed the engagement and the shareholders consulted were supportive of the proposals put forward and provided important input and commentary which was considered by the Committee. These inputs, together with inputs from shareholder representative bodies and governance groups, informed the final Remuneration Policy and the Committee's decision in relation to inflight LTIP awards.
Committee Evaluation	As outlined on page 105 an internal review of the Board and its Committees took place in 2020. The outcome of the review is that the Remuneration Committee is operating effectively.
Terms of Reference	During the year, the Committee reviewed and updated its Terms of Reference. A copy of these terms is available on the Group website www.kerrygroup.com .

Work of the Committee in Determining Executive Director Remuneration

The Committee considers the appropriateness of the Executive Directors' remuneration not only in the context of overall business performance and environmental, social and governance (ESG) matters but also in the context of wider workforce pay conditions (taking into account workforce policies and practices) and external market data to ensure that it is fair and appropriate for the role, experience of the individual, responsibilities and performance delivered.

The Committee is satisfied in reviewing the remuneration for 2020 against performance, that there has been an appropriate link between reward and performance in relation to the outturn for the STIP and LTIP.

Remuneration Committee Advisors

The Remuneration Committee is authorised by the Board to appoint external advisors and Korn Ferry is the advisor to the Remuneration Committee. Korn Ferry has also provided other human capital related services to the Group during the year through a separate part of the business. The Committee is comfortable that the controls in place at Korn Ferry do not result in the potential for any conflicts of interest to arise.

The fees incurred with Korn Ferry for advising the Committee in 2020 were **€217,584** (2019: €45,400).

Section C: Remuneration Policy

Remuneration Principles

The Group's Executive Director remuneration philosophy is to ensure that executive remuneration is aligned to the Group's purpose and values, supports strategy, promotes the long-term success of the company, properly reflects the duties and responsibilities of the Executives, and is structured to attract, retain and motivate individuals of the highest quality on an international basis. Remuneration includes performance related elements designed to align Directors' interests with those of shareholders and to promote long-term sustainable growth and performance at the highest levels in line with the Group's strategy.

A high proportion of Executive Directors' potential remuneration is based on short-term and long-term performance related incentive programmes. By incorporating these elements, the Remuneration Committee believes that the interest and risk appetite of the Executive Directors is properly aligned with the interests of the shareholders and other stakeholders. When authorising remuneration outcomes, the Committee exercises independent judgement and discretion, taking account of Group and individual performance as well as the investor experience, environmental, governance and social matters and wider workforce pay conditions to ensure that it is fair and appropriate for the role, experience of the individual, responsibilities and performance delivered.

Remuneration Policy Review

Under the Shareholders' Rights Directive, which was transposed into Irish Law in March 2020, Kerry is not obliged to submit its Remuneration Policy to shareholders for a non-binding advisory vote until the 2022 Annual General Meeting. However consistent with the Group's commitment to comply with best corporate governance practice and our existing three year cycle, a new policy will be brought to shareholders at the 2021 AGM.

As an Irish incorporated company Kerry Group plc is not obliged to comply with the UK legislation which requires UK companies to submit their remuneration policies to a binding shareholder vote every three years or earlier if changes are required prior to this.

Similarly, Kerry Group plc is not required to comply with the remuneration reporting regulation contained in the UK Companies (Miscellaneous Reporting) Regulations 2018 but follows the requirements as a matter of best practice unless they conflict with Irish or other legal requirements or there are other reasons where it is considered not practicable to do so.

In designing the Remuneration Policy, the Committee considered the best practice features detailed in the 2018 UK Corporate Governance Code as follows:

Matters	Examples
Clarity	The policy is clear, uncomplicated and well understood by the Executive Directors. It has been clearly communicated to shareholders and proxy agencies. Our Chief Human Resources Officer's (CHRO) role has direct responsibility for engaging with our employees and collaborates closely with Mr. Tom Moran, our designated workforce engagement Director. The Committee monitors the effectiveness of engagement with the wider workforce through updates provided by the CHRO and the designated workforce engagement Director. The Board is comfortable that our Remuneration Policy is clearly understandable by employees.
Simplicity	The Committee considers that the new Remuneration Policy is simple and easy to understand. The Remuneration Policy is aligned with the strategy and business model of the Group. The Committee has purposefully avoided any complex structures which have the potential to be misunderstood and deliver unintended outcomes.
Risk	The Remuneration Policy is designed to discourage inappropriate risk taking and to ensure that it is not rewarded. This is achieved by (i) the balanced use of both short-term and long-term incentive plans which employ a blend of financial, non-financial and shareholder return targets (ii) the significant role played by equity in our incentive plans together with shareholding requirements and (iii) malus and clawback provisions and (iv) the ability of the Committee to utilise discretion to adjust formulaic outcomes to ensure outcomes are aligned to, and are reflective of, the underlying business performance of the Group.
Predictability	Executive Directors' remuneration is subject to individual participation caps, with our share-based plans also subject to market standard dilution limits. The scenario charts on page 133 illustrate how the rewards potentially receivable by our Executive Directors vary based on performance delivered and share price growth.
Proportionality	There is a clear link between individual rewards, delivery of strategy and long-term performance. In addition, the significant role played by STIP and LTIP/'at risk' pay, together with the structure of the Executive Directors service contracts, ensures that poor performance is not rewarded.
Alignment to Culture	Kerry has a relentless focus on delivering for our shareholders and other stakeholders and this is fully aligned with our Remuneration Policy in that employee personal success is directly linked to the success of the Group through the short-term and long-term incentive plans and targets we operate. The Committee is satisfied the Remuneration Policy is fully aligned with the Group's diverse, entrepreneurial and results focused culture which is underpinned by our Values of Courage, Ownership, Inclusiveness, Open-mindedness and Enterprising Spirit.

The overall design of the new policy was informed by a combination of reviewing the current policy against best practice features as noted above, considering the evolution of the Company's size and strategy, and taking feedback from our shareholders during the review process. Following consideration of these factors, the Committee concluded on the policy changes detailed below.

Remuneration Policy – Summary of Proposed Changes

The table below summarises the key changes, arising from the policy review conducted during the year, which have been embedded in the new Remuneration Policy to apply for the three years 2021 to 2023.

Fixed Pay (comprising basic salary, benefits and pension)			
Element	Current Policy	Proposed Policy	Rationale
Pension	Current employer contribution rate is 18% of basic salary for the CEO and CFO	Align incumbent Executive Directors pensions contribution rates to Kerry's Irish general workforce rate (10%) with effect from 31 December 2022	Reflects market best practice as well as compliance with the UK Corporate Governance Code requirements with effect from 2023
	The contribution rate for the CEO T&N is currently 28%	Pensions contribution rates for new Executive Directors aligned to workforce rate on appointment	
Short-Term Incentive Plan (STIP)			
Element	Current Policy	Proposed Policy	Rationale
Maximum Opportunity (% of basic)	CEO: 150% of basic salary (target: 105%). CFO and CEO T&N: 125% of basic salary (target: 87.5%) Target opportunity currently 70% of maximum	Increase maximum STIP opportunity and reduce target opportunity to 50% of maximum with no softening of expected performance levels CEO: 200% of basic salary (target: 100%) CFO and CEO T&N: 175% of basic salary (target: 87.5%)	Proposed target and maximum opportunity consistent with the increased growth and complexity of the Group, driven by the same stretching targets. Change to proportion of bonuses payable at target performance reflects current investor expectations
STIP Deferral	25% of vested award deferred into shares/ options for two years	Portion of vested award deferred into shares/options for two years increased to 33%	Stronger long-term focus and reflects market best practice
Performance Measures	Volume Growth (40%); Margin Expansion (30%); Cash Conversion (20%); Strategic Objectives (10%)	Volume Growth (35%); Margin Expansion (27%); Cash Conversion (18%); Strategic Objectives (20%)	Enhanced focus on strategic objectives which have a direct impact on financial metrics and individual actions that drive long-term sustainable performance
Long-Term Incentive Plan (LTIP)			
Element	Current Policy	Proposed Policy	Rationale
Maximum Opportunity (% of basic)	CEO: 200% of basic salary CFO: 180% of basic salary CEO T&N: 200% of basic salary	Increase maximum LTIP opportunity on a phased basis over two years as follows: CEO: 250% in 2021, 300% in 2022 CFO: 225% in 2021, 250% in 2022 CEO T&N: 225% in 2021, 250% in 2022	Increase in quantum consistent with the increased size and complexity of the Group and promotes long-term sustainable performance
LTIP Deferral	50% of vested award deferred for two years	Deferral increased to 100% of vested award	Stronger alignment with shareholders and ensures long-term focus
Performance Measures	50% EPS; 30% TSR; 20% ROACE	40% EPS; 25% TSR; 15% ROACE; 20% Sustainability metrics	Introduction of sustainability measure fully aligned to our purpose and strategic direction (including new sustainability strategy) Vesting schedule aligned to market practice and consistency across all measures
	Threshold vesting 25% (30% for TSR) of maximum; target vesting 50% of maximum	Removal of target vesting point for EPS and ROACE with straight line vesting from threshold to maximum Reduce TSR threshold vesting to 25% of maximum while retaining current stretching goals	
Peer Group	The peer group consists of Kerry and 19 companies listed on page 141	Aryzta will be replaced by Ingredion for awards granted in 2021 and subsequent years	Ingredion's business profile more closely aligns to that of Kerry Taste & Nutrition

Other			
Element	Current Policy	Proposed Policy	Rationale
Share Ownership Requirements	CEO (200%), CFO (180%), CEO T&N (200%) No post-employment shareholding requirement	Increase in-service shareholding requirement (CEO 300%; Other Executive Directors 250%) Introduction of post-employment shareholding requirement for a period of two years	Stronger long-term focus and alignment with shareholder interests, as well as compliance with the UK Corporate Governance Code requirements
Malus and Clawback	Trigger events include material misstatement and serious wrongdoing which require a restatement of accounts	Additional trigger events included: payment made on basis of erroneous data, gross misconduct, material misstatement of accounts, serious reputational damage, corporate failure No requirement for restatement of accounts	Alignment with the UK Corporate Governance Code requirements and market best practice
Discretion	Discretion available	Enhanced Committee discretion to apply a general incentive over-ride that will enable the Committee to sense check and adjust formula-based incentive outcomes up and down	Aligns with UK Corporate Governance Code and best practice
Recruitment Policy – Buyout Awards	Current payment to compensate new hires for remuneration forfeited is capped at 12 months target remuneration	Remove cap of 12 months target remuneration for buyout awards with the ability to compensate for remuneration forfeited on joining to be provided but the quantum and structure of any buyout set to reflect the quantum, structure and timing of the remuneration forfeited and also to take into account any performance requirements in relation to awards forfeited	Ensure sufficient flexibility to compensate future recruits for awards forfeited
Non-Executive Director Fees	Fees reviewed on a triennial basis	For 2021 Chairman's fee increased to €385,000 (from €357,500) For 2021 basic non-Executive Director fee increased to €84,000 (from €78,000) Allowance for non-European based non-Executive Director increased to €30,000 (from €19,000) No changes to other fees Propose to review fees annually going forward in line with general workforce adjustments	Reflects increase in the size and complexity of the Group Equivalent to the annual increase available to the general workforce over three year period 2017-2020 (2.5% p.a.) Compensate for additional time and travel commitment

Remuneration Policy Table

The following table details the Remuneration Policy for the Executive Directors for the three year period 2021 to 2023.

Purpose and Link to Strategy	Operation	Opportunity	Performance Metrics
Basic Salary			
Reflects the value of the individual, their skills and experience	– Remuneration Committee sets the basic salary and benefits of each Executive Director	– Set at a level to attract, retain and motivate Executive Directors	– Not applicable
Competitive salaries are set to promote the long-term success of the Company and attract, retain and motivate Executive Directors to deliver strong performance for the Group in line with the Group's strategic objectives	– Determined after taking into account a number of elements including the Executive Directors' performance, experience and level of responsibility – Paid monthly in Ireland and bi-weekly in the US – Salary is referenced to job responsibility and internal/external market data	– Reviewed annually – Full review undertaken every three years	
Benefits			
To provide a competitive benefit package aligned with the role and responsibilities of Executive Directors	– These benefits primarily relate to the use of a company car or a car allowance	– Not applicable	– Not applicable
Pension			
To provide competitive retirement benefits to attract and retain Executive Directors	– Pension arrangements may vary based on the Executive Director's location – Irish resident Executive Directors participate in the general employee defined contribution pension scheme or receive a contribution to an after-tax savings scheme (where the lifetime earnings cap has been reached) or receive a taxable cash alternative based on a percentage of basic salary – The existing Executive Director in the US participates in the Group's defined benefit and defined contribution pension schemes. The normal retirement age under the defined benefit scheme is 65 years of age. Early retirement is possible from age 55 onwards	– Pension values currently vary based on local practice – The pension contribution rates for incumbent Executive Directors will be reduced to 10% of basic salary, in line with Kerry's Irish general workforce rate, with effect from 31 December 2022 – The maximum company pension contribution rate for new Executive Director appointments is aligned to that of the general workforce rate	– Not applicable
Short-Term Incentive Plan (STIP)			
To incentivise the achievement, on an annual basis, of key performance metrics and short-term goals beneficial to the Group and the delivery of the Group's strategy	– Achievement of predetermined performance targets set by the Remuneration Committee – Performance targets aligned to the Group's published strategic targets with the targets and weightings for financial metrics subject to annual review	– Maximum opportunity is 175%-200% of basic salary – Target opportunity is 50% of maximum opportunity for on-target performance – Threshold performance results in a bonus payable at 0% of maximum	For FY 2021
One third of the award is deferred in shares/options providing a two year retention element and aligns Executive Directors' interests with shareholders' interests	– Two thirds of the award is payable in cash – One third of the award is awarded by way of shares/options to be issued two years after vesting following a deferral period – Malus and clawback provisions are in place for awards under the STIP (see page 131)		– Volume Growth – Margin Expansion – Cash Conversion – Strategic Objectives

Purpose and Link to Strategy	Operation	Opportunity	Performance Metrics
Long-Term Incentive Plan (LTIP)			
Retention of key personnel and incentivisation of sustained performance against key Group strategic metrics over a longer period of time	– The awards vest depending on a number of performance metrics being met over a three year performance period – Conditional awards over shares or share options	– Maximum opportunity is 250%-300% of basic salary	For FY 2021
Share-based to provide alignment with shareholder interests	– Following vesting, 100% of the earned award is deferred for a period of two years (i.e. giving a combined performance period and deferral period of five years)		– Adjusted Earnings Per Share 'EPS'
A two year post vesting deferral requirement aligns Executive Directors' interests with shareholders' interests	– Malus and clawback provisions are in place for awards under LTIP (see page 131)		– Total Shareholder Return 'TSR'
			– Return on Average Capital Employed 'ROACE'
			– Sustainability metrics
Shareholding Requirement			
Maintain alignment of the interests of the shareholders and the Executive Directors and commitment over the long-term	– Executive Directors are required to build and to hold shares in the Company to a minimum level of 250%-300% of their basic salary – Shareholding requirement to be satisfied through retention of a minimum of 50% of vested annual bonus and LTIP shares (excluding the sale of shares to cover tax on vesting), until the shareholding requirement is met – A post-employment shareholding requirement obliges Executive Directors to hold the lower of (i) their actual shareholding and (ii) their in-service shareholding requirement for two years post-employment. Applies to shares acquired from new awards and does not apply to own purchased shares	– 250%-300% of basic salary	– Not applicable
Selection of performance targets			
STIP Financial performance targets under the STIP are set by the Remuneration Committee with reference to the prior year, current year budget and medium-term financial targets. They align with the Group's strategic objectives while also ensuring the long-term operational and financial stability of the Group. Targets are set at appropriately stretching levels to achieve threshold, target and maximum payout levels. Performance targets are based predominately on the financial metrics of Volume Growth, Margin Expansion and Cash Conversion (amounting to 80% of maximum opportunity). Volume Growth and Margin Expansion are key performance metrics as they are the main drivers of Adjusted EPS Growth. Cash Conversion is key to ensuring there are sufficient funds available for reinvestment or for return to shareholders. Strategic objectives (amounting to 20% of maximum opportunity) are relevant to each Executive Director's specific area of responsibility and are key in ensuring focus on the strategic and functional priorities of the business. Due to their commercial sensitivity, the Committee is of the view that it would be detrimental to the Company to disclose the targets in advance of or during the relevant performance period. The Committee will disclose the targets and performance against them in next year's Remuneration Report.			
LTIP The performance targets under the LTIP are set to reflect the Group's longer-term growth objectives and at a level where maximum opportunity genuinely represents outperformance. The performance measures are currently based on Adjusted EPS Growth, TSR, ROACE and Sustainability metrics. Adjusted EPS Growth is a key performance metric encompassing all the components of growth important to the Group's stakeholders. EPS Growth is driven by the STIP metrics, Volume Growth and Margin Expansion. TSR is an important indicator of how successful the Group has been in terms of shareholder value creation. ROACE represents a good perspective on the Group's internal rate of return and financial added value for shareholders. ROACE supports the strategic focus on growth and margins through ensuring cash is reinvested to generate appropriate returns. Sustainability metrics are core to maintaining our strategy and long-term sustainable performance and are reviewed at the time of each award.			

How Remuneration Links with Strategy

Performance Measure	Strategic Priority	Incentive Scheme
Volume growth	Key driver of revenue growth	STIP
Margin expansion	Key driver of profit growth	STIP
Cash conversion	Cash generation for reinvestment or return to shareholders	STIP
Strategic objectives	Development and execution of business strategies	STIP
Adjusted EPS growth	Delivery of the Group's long-term growth strategy	LTIP
TSR	Delivery of shareholder value	LTIP
ROACE	Balance growth and return	LTIP
Sustainability	Core to our strategy and long-term sustainable performance	LTIP

Malus/Clawback

The Committee has the discretion to reduce or impose further conditions on the STIP and LTIP awards prior to vesting (malus). The Committee further has the discretion to recover incentives paid within a period of two years from vesting (clawback).

The key trigger events for the use of malus and clawback provisions include material misstatement of the Company's audited financial results, serious wrongdoing, payment made on the basis of erroneous data, gross misconduct, serious reputational damage and corporate failure.

Any recalculation of the award shall be effected in such manner and subject to such procedures as the Group determines to be measured and appropriate, including repayment of any excess incentive or offset against any amounts due or potentially due to the participant under any vested or unvested incentive awards.

The Company retains the right to apply the malus and clawback provisions to former directors STIP and LTIP awards. Other elements of remuneration are not subject to malus or clawback provisions.

Committee Discretion

The Committee has discretion to adjust the formulaic outcomes under STIP and LTIP to ensure outcomes are aligned to and are reflective of the underlying business performance of the Group.

In line with plan rules, the Committee may, at its discretion, amend or vary the performance metrics of the STIP and LTIP related incentives, the calculation methodology for those performance metrics and the composition of the TSR peer group when appropriate, in the interest of alignment and fairness.

Service Contracts

The CEO and Executive Directors have service contracts in place which can be terminated by either party giving 12 months notice. In addition, all service contracts include pay in lieu of notice, non-compete and non-solicitation provisions of up to 12 months post departure, in order to protect the Group's customer base, employees and intellectual property.

No ex-gratia severance payments are provided for in respect of the CEO or Executive Directors.

Remuneration Policy for Recruitment of New Executive Directors

The Remuneration Committee will determine the contractual terms for new Executive Directors, subject to appropriate professional advice to ensure that these reflect best practice and are subject to the limits specified in the Group's approved policy as set out in this report.

Salary levels for new Executive Directors will take into account the experience and calibre of the individual and his/her remuneration expectations. Where it is appropriate to offer a lower salary initially, a series of increases to the desired salary positioning may be made over subsequent years, subject to individual performance and development in the role.

Pension and benefits will be provided in line with the approved policy, with relocation, travel or other expenses provided if necessary.

The structure of the variable pay element will be in accordance with and subject to the limits set out in the Group's approved policy detailed above. Different performance measures may be set initially for STIP in the year an Executive Director joins the Group taking into account the responsibilities of the individual and the point in the financial year that he/she joins the Board. Subject to the rules of the scheme, an LTIP award may be granted after joining the Group.

If it is necessary to buyout incentive pay or benefit arrangements (which would be forfeited on leaving the previous employer) in the case of an external appointment, this would be provided for taking into account the form (cash or shares), timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited. The general policy is that payment should be no more than the Committee considers is required to provide reasonable compensation for remuneration being forfeited. The Group's policy is that the period of notice for new Executive Directors should not exceed 12 months and should include pay in lieu of notice, non-compete and non-solicitation provisions to protect the Group.

The Committee will ensure that any arrangements agreed will be in the best interests of the Group and shareholders.

Payments for Loss of Office

In the event of a Director's departure, the Group's policy on termination is as follows:

- the Group will pay any amounts it is required to make in accordance with or in settlement of a Director's statutory employment rights and in line with their employment agreement;
- the Group will seek to ensure that no more is paid than is warranted in each individual case;
- STIP and LTIP awards will be paid out in line with plan rules on exit (i.e. for good leavers as defined in the LTIP rules), with awards prorated to normal vesting date, subject to performance and a two year holding requirement and prorated to reflect the proportion of the performance period that has elapsed on the date of cessation; and
- other payments, such as legal or other professional fees, repatriation or relocation costs and/or outplacement fees, may be paid if it is considered appropriate and at the discretion of the Committee.

A Director's service contract may be terminated without notice and without any further payment or compensation, except for sums accrued up to the date of termination, on the occurrence of certain events such as gross misconduct.

Change of Control

Outstanding STIP and LTIP awards/options would normally vest and become exercisable on a change of control, subject to plan rules, including the satisfaction of any performance conditions and pro-rating. The Committee may exercise its discretion to vary the level of vesting having regard to the circumstances and reasons for the events giving rise to the change of control.

Alignment with Workforce Pay and Policies

The Remuneration Policy provides an overview of the structure that operates for the Group's Executive Directors and senior management. Differences in quantum will depend on size of the role and responsibility, the location of the role and local market practice.

When setting the Remuneration Policy for Executive Directors, the Committee considers the pay policies and procedures for the wider workforce. The key difference is that, overall, Remuneration Policy for the Executive Directors is more heavily weighted towards variable pay compared to other employees.

Basic salaries are operated under the same policy as detailed in the Remuneration Policy table with comparator groups used as a reference point. The Committee considers the basic salary increase for the broader workforce when determining the annual salary review for the Executive Directors.

Senior management are invited to participate in both the STIP and LTIP to incentivise performance through the achievement of short-term and long-term objectives and through the holding of shares in the Group.

The Committee will also seek shareholder approval at a later date for an All Employee Share Plan which will allow for the grant of various share-based awards to employees across the Kerry Group once implemented (subject to local tax and securities laws).

Consultation with Employees

While the Committee currently does not consult directly with employees when setting remuneration for Executive Directors, it does take into account the remuneration structures, policies and practices in the Group as a whole, the feedback from employee engagement activities and the information provided by our external advisors. In addition, matters relating to remuneration which come to the attention of Mr. Tom Moran, in his capacity as the designated workforce engagement Director, are reported to the Committee. The Group has a number of different channels for engagement and the Committee will consider how it can engage more effectively with the wider workforce to explain broader pay policies and practices and the alignment to the Executive Directors' Remuneration Policy.

Consultation with Shareholders

The Committee considers the guidelines issued by the major institutional shareholders and the bodies representing them and the feedback provided by such proxy agencies and shareholders, when completing its annual and triennial review of the Group's Executive Remuneration policies and practices. During 2020, the Committee Chairperson engaged with a number of major institutional shareholders and proxy agencies on the changes proposed under the 2021 Remuneration Policy Review and on the treatment of inflight LTIP awards impacted by COVID-19. Changes were made to Remuneration Policy proposals as a result of the feedback received, for example quantum increases will be phased over two years and the sustainability metrics to be included in the new LTIP were further finetuned based on shareholder input. Following consultation, the Committee also decided not to amend the formulaic outcome of the 2018 LTIP award. This is despite the strong executive leadership over the three year performance period (and especially in 2020) as well as the resilience of the Kerry business and sustained shareholder return against the backdrop of the COVID-19 pandemic.

The Committee is committed to continued consultation with shareholders regarding its Remuneration Policy.

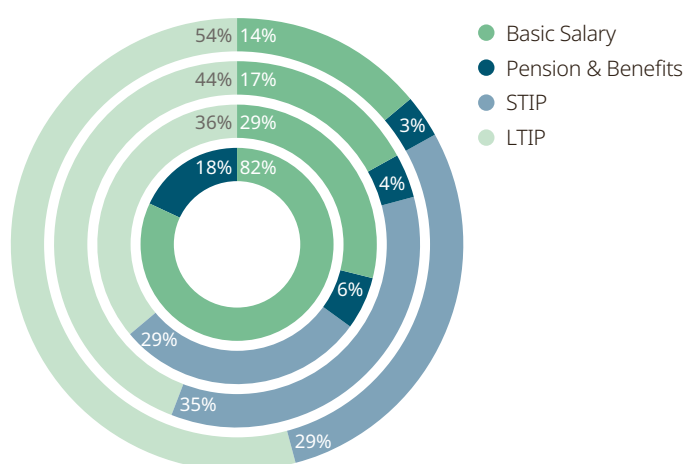
Non-Executive Directors' Remuneration Policy

Non-Executive Directors' fees, which are determined by the Executive Directors, fairly reflect the responsibilities and time spent by the non-Executive Directors on the Group's affairs. In determining the fees, which are set within the limits approved by shareholders, consideration is given to both the complexity of the Group and the level of fees paid to non-Executive Directors in comparable companies. Fees are reviewed on an annual basis, and a detailed benchmark review is carried out on a three year basis and any recommendations are presented to the Executive Directors for approval. Non-Executive Directors do not participate in the Group's incentive plans, pension arrangements or other elements of remuneration provided to the Executive Directors. Non-Executive Directors are reimbursed for travel and accommodation expenses (and any personal tax that may be due on those expenses). Non-Executive Directors are encouraged to build up a shareholding in the Company.

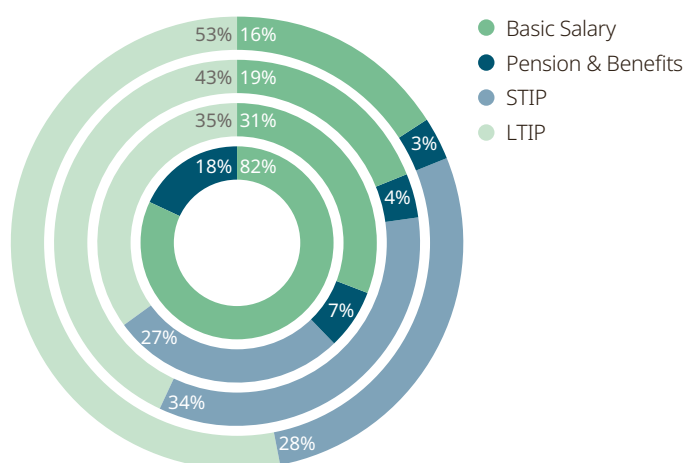
Illustration of Remuneration Policy

The following diagrams show the minimum, target, maximum and maximum +50% share appreciation, composition balance between the fixed and variable remuneration components for each Executive Director effective for 2021. For illustration purposes target performance for LTIP is reflected as 50% of maximum opportunity. The inner most circle represents the minimum potential scenario for remuneration, with the 2nd circle representing target, the 3rd circle representing maximum potential and the outer circle representing maximum potential plus 50% increase in the LTIP share value.

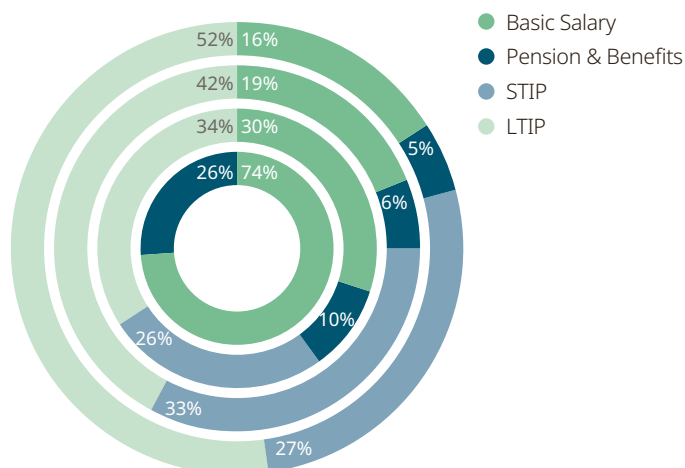
Edmond Scanlon



Marguerite Larkin



Gerry Behan



The charts above exclude the effect of any Company share price appreciation except in the 'maximum +50%' scenario.

Section D: Remuneration Policy Implementation

Part I: Remuneration Policy Implementation 2021

This part of the report sets out how the proposed Remuneration Policy as described on pages 126-128 will operate in 2021.

Basic Salary and Benefits

The salaries of the Executive Directors effective for the year commencing on 1 February 2021, together with the comparative figures, are as follows:

Directors	2021 €'000	2020 €'000	% Increase
Edmond Scanlon	1,219	1,189	2.5%
Marguerite Larkin	754	735	2.5%
	\$'000	\$'000	% Increase
Gerry Behan	987	958	3.0%

The increases in salaries for the Executive Directors are in line with increases for the general workforce in Ireland 2.5% and the US 3.0%.

Benefits relate primarily to the use of a company car/car allowance. Any travel arrangements or travel costs required for business purposes will also be met by the Group, on a net of tax basis.

Pensions

The Group CEO participates in the general employee Irish defined contribution scheme and the CFO receives a taxable cash allowance based on a percentage of basic salary, in lieu of pension. The CEO Taste & Nutrition participates in a US defined contribution scheme and a US defined benefit pension scheme.

Following the Remuneration Policy review carried out in 2020 pension contribution rates will continue as is for 2021. The pension contribution rate for Executive Directors will be aligned to that of Kerry's general workforce in Ireland (currently a rate of 10%) with effect from 31 December 2022.

Short-Term Incentive Plan (STIP)

As part of the policy review, a review of the STIP design and metrics was completed in 2020 to ensure that they remain appropriate, are linked to strategy, consistent with best practice and that the targets are appropriately calibrated. The Committee concluded that while no changes are required to the performance metrics, a number of other changes are required to reflect the increase in the size and complexity of the Group and to ensure that the STIP continues to support the Group's long-term sustainable growth and forward looking strategy as well as attracting, motivating and retaining executives of the highest quality internationally.

The changes proposed to be implemented from 2021 onwards for STIP are outlined on page 127, with the main changes being:

- the maximum STIP opportunity for 2021 will increase from 150% to 200% of basic salary for the CEO and from 125% to 175% of basic salary for the CFO and CEO Taste & Nutrition;
- toughening the approach to target setting within the STIP through reducing the target bonus opportunity to 50% of maximum (from 70%), with no softening of expected performance levels;
- increase to the weighting on the strategic element (from 10% to 20%) with a proportionate reweighting of the other metrics which remain unchanged; and
- increase to 33% (from 25%) the proportion of STIP delivered in shares/options following a two year deferral period.

2021 STIP – Performance Metrics and Weightings

Group Metrics	CEO % of award		CFO % of award		CEO T&N % of award	
	Target	Max	Target	Max	Target	Max
Volume growth*	17.5%	35%	17.5%	35%	17.5%	35%
Margin expansion*	13.5%	27%	13.5%	27%	13.5%	27%
Cash conversion	9%	18%	9%	18%	9%	18%
Strategic Objectives	10%	20%	10%	20%	10%	20%
Total	50%	100%	50%	100%	50%	100%

* The above metrics are measured at a Group level for the CEO and CFO and at a Taste & Nutrition level for the CEO of Taste & Nutrition.

Due to the commercial sensitivity of the financial metrics and strategic objectives, the Committee is of the view that it would be detrimental to the Company to disclose the targets in advance of, or during the relevant performance period. The Committee will disclose the targets and performance against them in next year's Remuneration Report.

Long-Term Incentive Plan (LTIP)

A review of the LTIP metrics was completed in 2020 to ensure that they remain appropriate, linked to strategy and that targets are appropriately stretching. The changes included in the new policy are required to reflect the increase in the size and complexity of the Group and ensure that the LTIP continues to support the Group's long-term sustainable growth ambitions as well as attracting, motivating and retaining executives of the highest quality internationally.

Subject to shareholder approval, the 2021 LTIP award will be granted under a new 2021 LTIP which replaces the current LTIP approved by shareholders in 2013. The changes proposed to be implemented from 2021 onwards for LTIP awards are outlined on page 127, with the main changes being;

- the maximum LTIP opportunity will increase from 200% of basic salary for the CEO to 250% in 2021. For the CFO and CEO Taste & Nutrition, the maximum LTIP opportunity will increase from 180%/200% of basic salary to 225% in 2021;
- consistent with the launch of our 2030 sustainability strategy *Beyond the Horizon* in October 2020, a new sustainability element will be included in the LTIP, with a weighting of 20% and a proportionate reweighting of the other metrics which remain unchanged;
- in line with current best practice and the UK Corporate Governance Code requirements, for LTIP awards granted from 2021 onwards, the two-year deferral period will apply to 100% (previously 50%) of the award that vests;
- the payout % at threshold vesting level is being reduced for TSR from 30% to 25%, while retaining the current stretching threshold and maximum levels; and
- the vesting schedules that apply to the EPS and ROACE performance metrics have also been simplified, with straight line vesting from threshold to maximum.

LTIP Award Year	2021	
Performance Metrics	Threshold	Maximum
EPS (40% weighting)*		
Adjusted EPS growth per annum	6%	12%
% of award which vests	25%	100%
ROACE (15% weighting)		
ROACE return achieved	10%	14%
% of award which vests	25%	100%
Relative TSR (25% weighting)		
Position of Kerry in TSR peer group**	Median	Greater than 75th%
% of award which vests	25%	100%
Sustainability (20% weighting)***		
Nutrition Reach Goal	1.11bn	1.27bn
Carbon Reduction	19%	23%
Food Waste Reduction	14%	22%
% of award which vests	25%	100%

* Adjusted EPS growth is measured on a constant currency basis.

** The TSR Peer Group companies are listed on page 141. For LTIP awards granted in 2021 and subsequent years Aryzta is being replaced with Ingredion.

*** Please see pages 30-31 for further details in relation to sustainability metrics.

The Committee is satisfied that the target ranges above are appropriately stretching particularly given the current challenging trading environment, overall market growth rates, the level of capital expenditure required to support future growth ambitions and performance achieved against the previous targets set (see pages 30 and 31).

Each Executive Director will be awarded their maximum LTIP opportunity in 2021 as follows, CEO 250% of basic salary, CFO 200% of basic salary and CEO Taste & Nutrition 200% of basic salary.

See Group Key Performance Indicators (KPIs) on pages 30 and 31 for more information on the link between the performance metrics used for incentive purposes and the Group's Strategic Plan.

Non-Executive Director Remuneration Review

Non-Executive Director fees were last reviewed in 2017 and increases were made effective from 1 January 2018. The fees have not been increased since then and have not been subject to increases for annual inflation.

In line with the three year review cycle the Chairman and non-Executive Directors fees were reviewed and benchmarked during 2020. Following the review, the following increases are being applied effective 1 January 2021.

Fee Type*	2021 Fees €	2020 Fees €
Chairman fee	385,000	357,500
Non-Executive Director basic fee	84,000	78,000
Non-European allowance	30,000	19,000

* There are no changes to the Committee member and Chair fees.

The increases represent the equivalent of an annual 2.5% increase since the last review, which is in line with the annual increase available to the general workforce in Ireland over the same three-year period. Following the adjustment, the Chairman's fee and the non-Executive Director fees remain within the market median range. The allowance for non-Executive Directors based outside of Europe has been increased to take account of the extra time commitment required to travel to Board meetings.

Part II: Remuneration Policy Outturn 2020

Disclosures regarding Directors' remuneration have been drawn up on an individual Director basis in accordance with the requirements of the 2014 Irish Companies Act, the EU Shareholders' Rights Directive, the UK Corporate Governance Code, the Irish Annex, the Euronext Dublin Stock Exchange and the UK Listing Authority.

The information in the tables 1, 4, 5, 6 and 7 below including relevant footnotes (identified as audited) forms an integral part of the audited consolidated financial statements as described in the basis of preparation on page 166. All other information in the Remuneration Report is additional disclosure and does not form an integral part of the audited consolidated financial statements.

Executive Directors' Remuneration

Table 1: Individual Remuneration for the year ended 31 December 2020 (Audited)

	Irish Based Directors Euros				US Based Director US Dollars	
	Edmond Scanlon CEO		Marguerite Larkin CFO		Gerry Behan ⁵ CEO T&N	
	2020 €'000	2019 €'000	2020 €'000	2019 €'000	2020 \$'000	2019 \$'000
Basic Salary ¹	1,113	1,151	688	716	895	928
Benefits	45	39	34	33	72	80
Pensions ²	214	207	132	129	273	217
Total Fixed Remuneration	1,372	1,397	854	878	1,240	1,225
% Fixed v Total	59%	35%	77%	56%	62%	33%
STIP ³	-	1,312	-	680	-	766
LTIP ⁴	951	1,282	261	-	751	1,737
Total Variable Remuneration	951	2,594	261	680	751	2,503
% Variable v Total	41%	65%	23%	44%	38%	67%
Total Remuneration	2,323	3,991	1,115	1,558	1,991	3,728
					€'000	€'000
					1,762	3,329

Note 1: As a solidarity gesture in light of COVID-19 and those impacted, the Executive Directors volunteered a 25% reduction in their basic salary for a three month period.

Note 2: The pension figure for Edmond Scanlon relates to Irish defined contribution pension benefits. Marguerite Larkin received a taxable cash payment in lieu of pension benefits. The employer pension contribution for both Edmond and Marguerite remained at 18% of their basic salaries before the 25% temporary voluntary reduction referred to above. The pension figure for Gerry Behan includes both defined benefit and defined contribution retirement benefits and similarly his employer pension contribution was not impacted by the voluntary basic salary reduction applied during the year.

Note 3: No STIP was payable for 2020 due to performance not meeting the thresholds levels set for each of the financial metrics and discretion being applied not to pay out on personal and strategic objectives. The 2019 STIP amount represents 75% delivered in cash with 25% delivered by way of shares/share options which are deferred for two years.

Note 4: The share price used to calculate the value of the LTIP is the average share price for the three months up to the end of the year being reported. A positive share price movement versus that applicable at the date the conditional awards were granted has increased the valuation of the awards (that will vest in 2021) over the three years by €268,082 for Edmond Scanlon, €56,076 for Marguerite Larkin and by €187,359 for Gerry Behan. The LTIP included in this table was awarded in 2018. Marguerite Larkin was appointed to the Board part way through 2018 and the level of her award reflects this.

Note 5: The table shows the Executive Director's pay in the currency of payment to ensure clarity in reflecting the year-on-year payment comparisons.

Note 6: The total remuneration for Executive Directors was €5,200k (2019: €8,878k) using a US dollar exchange rate of 1.13 (2019: 1.12).

Basic Salary Increases

Edmond Scanlon's basic salary as Group CEO was increased by 2.5% and the basic salaries of Marguerite Larkin and Gerry Behan were increased by 2.5% and 3% respectively effective from 1 February 2020 in line with increases for the general workforce in Ireland and the US respectively. However as noted above, the Executive Directors took a voluntary 25% basic salary reduction for a three month period as a solidarity gesture in light of COVID-19 and those impacted.

Annual Incentive Outcomes (STIP)

Table 2: Annual Bonus Achievement Against Targets

Financial Metrics (CEO, CFO, and CEO T&N – 90% weighting)

Metric		1. Volume Growth* (40% weighing)		2. Margin Expansion* (30% weighing)		3. Cash Conversion (20% weighing)
		Group	Taste & Nutrition	Group	Taste & Nutrition	Group
Targets	Threshold	0%	0%	0bps	0bps	70%
	Target	3%	4%	+30bps	+30bps	80%
	Max	5%	6%	+40bps	+ 40bps	90%
Actual performance		-2.9%	-3%	-100bps	-110bps	67%
Bonus outcome		0%	0%	0%	0%	0%
Link to strategy		Volume Growth is a key performance metric as it is one of the main drivers of Adjusted EPS Growth		Margin Expansion is a key performance metrics as it is another main driver of Adjusted EPS Growth		Cash Conversion is key to ensuring there are sufficient funds available for reinvestment or for return to shareholders

* The above metrics are measured at Group level for the CEO and CFO and at Taste & Nutrition level for the CEO of Taste & Nutrition.

When setting the targets above the Committee considered them to be appropriate as they are aligned with the Group's strategic plan, were reflective of overall market conditions pre COVID-19, and take account of planned investments (both capital and operational) that the Group is making to enable the achievement of its strategic priorities for growth and margin expansion as well as necessary working capital investments to mitigate the Brexit and KerryConnect risks.

Personal and Strategic Objectives – 10% weighting

The table below sets out the performance outcome for the personal and strategic element of the STIP.

Metric		4. Personal and Strategic (All – 10% weighting)		
		CEO	CFO	CEO T&N
Targets	Threshold	0	0	0
	Target	7	7	7
Max		10	10	10
Actual performance		8	8	8
Bonus outcome (after discretion, see page 140)		0%	0%	0%
Link to strategy		Specific to the Executive Directors responsibility linked to strategic plan implementation and talent management		

Details of Personal and Strategic Objectives

The Executive Directors are also measured against Personal and Strategic objectives. Performance against these objectives is determined by the Committee by reference to key targets agreed with the Executives at the start of the year.

Objective	Achievement	Outturn
CEO		8%
Sustainability	– Led the development and launch of Kerry's 2030 sustainability strategy <i>Beyond the Horizon</i> bringing sustainability to the core of the Group's strategy. Led tangible and public commitments for 2025 to 2030 across all ESG dimensions; people, society and planet. – Successfully launched the revitalised Kerry brand, vision, purpose and values bringing The Kerry Way to life externally and further embedding it internally.	
Operating Model	– Continued to drive operating model improvements, strengthening and simplifying the commercial organisation globally to further enhance Kerry's customer experience. – Further strengthened Kerry's global Taste and Applied Health & Nutrition capabilities.	
Technology Portfolio	– Further strengthened the Group's strategic focus on Authentic Taste, Nutrition, Foodservice and Developing Markets. – Identified, initiated and executed M&A transactions to further enhance and optimise the Group's leading technology portfolio and presence in key strategic markets.	
Leadership, Talent & Succession	– Continued to ensure rigour in executive succession planning and development. Global leadership team further strengthened through key internal promotions and external appointments. – Demonstrated excellent leadership in shaping the Group's response to the COVID-19 pandemic; prioritised around our people, our customers and our communities, ensuring the Group could safely fulfil its critical role in the global food supply chain. Significant personal investment in engagement with all key stakeholders on the Group's response throughout the year.	
CFO		8%
Sustainability	– Co-led the development and launch of Kerry's 2030 sustainability strategy <i>Beyond the Horizon</i>. Identified key performance measures across all ESG dimensions and implemented effective measurement methodology and governance to drive and monitor progress. – Proactive and effective engagement with shareholders ensuring comprehensive understanding of the Group's sustainability strategy, performance and ongoing response to the challenges presented by COVID-19.	
Operating Model	– Continued to align and strengthen the commercial arm of the global finance organisation, consistent with operating model developments in commercial, Taste & Nutrition. – Ensured strong finance leadership and agile decision making throughout the COVID-19 pandemic, ensuring continuity of supply and focused innovation investment in response to changing consumer needs.	
Technology Portfolio	– Further strengthened the Group's strategic focus on Authentic Taste, Nutrition, Foodservice and Developing Markets. – Identified, initiated and executed M&A transactions to further enhance and optimise the Group's leading technology portfolio and presence in key strategic markets.	
Leadership, Talent & Succession	– Continued to build a high-performing Finance leadership team, further simplifying the global finance leadership organisation. Ensured seamless succession and transition to a number of finance leadership roles. – Actively championed and sponsored talent and succession initiatives across the Group, focused on strengthening overall leadership talent pipeline.	

Objective	Achievement	Outturn
CEO T&N		8%
Sustainability	– Co-led the development and launch of Kerry's 2030 sustainability strategy <i>Beyond the Horizon</i> ensuring alignment and capability of the Taste & Nutrition (T&N) organisation for their execution. – Ensured a quality launch of the revitalised Kerry brand with key customers and other stakeholders across T&N globally.	
Operating Model	– Continued to drive operating model improvements, strengthening and simplifying the commercial organisation globally to further enhance Kerry's customer experience. Further strengthened Kerry's global Taste and Applied Health & Nutrition capabilities. – Sponsored further simplification and alignment of regional organisations behind Group strategy and portfolio. – Played a key leadership role throughout the COVID-19 pandemic in ensuring all manufacturing plants and R&D centres safely operated throughout 2020 to meet customer needs. Ensured effective partnerships with key customers, driving innovation and alignment of product portfolios to changing consumer needs.	
Technology Portfolio	– Further strengthened the Group's strategic focus on Authentic Taste, Nutrition, Foodservice and Developing Markets. – Identified, initiated and executed M&A transactions to further enhance and optimise the Group's leading technology portfolio and presence in key strategic markets.	
Leadership, Talent & Succession	– Continued to ensure rigour in T&N executive succession planning and development, strengthening leadership teams across all regions and further aligning capabilities behind strategic priorities. – Further strengthened the global T&N leadership through Chief Commercial Officer and Global Head of Taste appointments.	

Discretion

The Committee carefully assessed the performance of the Executive Directors against their individual Personal and Strategic objectives in line with normal practice and concluded that an above target performance was achieved by all three Executive Directors. However, in light of the overall performance, and following a request from the Executive Directors not to be considered for any element of their annual bonus in respect of 2020, the Committee agreed that there should be no award under this element of the STIP.

Final Outturn for 2020

Despite the Executive Directors unrelenting commitment to the business and strong individual performances during the year, they will receive no annual bonus payments under the STIP for 2020.

Long-Term Incentive Plan (LTIP)

2013 LTIP

The terms and conditions of the plan were approved by shareholders at the 2013 AGM. The Remuneration Committee approves the terms, conditions and allocation of conditional awards under the Group's LTIP to Executive Directors and senior management. Under this plan, Executive Directors and senior management are invited to participate in conditional awards over shares or share options in the Company.

Subject to performance metrics being met over a three year performance period, the LTIP award will vest on the third anniversary of the date of grant. 50% of the award is delivered at the vesting date with the remaining 50% of the award being delivered following a two year deferral period. This provides for a combined performance period and deferral period of five years for half of the award that vests.

The first conditional awards under this scheme were made to Executive Directors in 2013. The maximum award that can be made to an individual Executive Director under the LTIP over a 12 month period is equivalent to 180%-200% of basic salary for that period.

An award may lapse if a participant ceases to be employed within the Group before the vesting date. The market price of the shares on the date of each award outlined above is disclosed in note 27 to the financial statements.

The proportion of each conditional award which vests will depend on the Adjusted EPS Growth, TSR and ROACE performance of the Group during the relevant three year performance period.

2018 LTIP Awards

Set out below is the performance against targets for the 2018 LTIP award where the three year performance period ended on 31 December 2020 and the award vests in 2021.

EPS Performance Test

50% of the award vests according to the Group's average adjusted EPS growth ('EPS metric') over the performance period. This measurement is determined by reference to the growth in the Group's adjusted EPS calculated on a constant currency basis in each of the three financial years in the performance period in accordance with the vesting schedule outlined in the following table:

	Average Adjusted EPS Growth	Percentage of the Award Which Vests
Threshold	6%	25%
Target	10%	50%
Maximum	12%	100%

Below 6% none of the award vests. Vesting between target points is on a straight line basis.

The COVID-19 pandemic had a particular impact on the EPS metric in 2020 (-9.4%), which negated the strong EPS growth achieved in 2018 (+8.6%) and 2019 (+8.3%). As a result, the threshold level for this metric was not achieved resulting in an award outcome of 0% out of a possible maximum of 50%.

TSR Performance Test

30% of the award vests according to the Group's TSR performance over the period measured against the TSR performance of a peer group of listed companies over the same three year performance period. The peer group consists of Kerry and the following companies:

Chr. Hansen	Givaudan	Kellogg's	Sensient Technologies
Barry Callebaut	Glanbia	McCormick & Co.	Symrise
Corbion	Greencore	Nestlé	Tate & Lyle
Aryzta*	Danone	Novozymes	Unilever
General Mills	IFF	Premier Foods	

* Aryzta will be replaced by Ingredion for awards granted in 2021 and subsequent years.

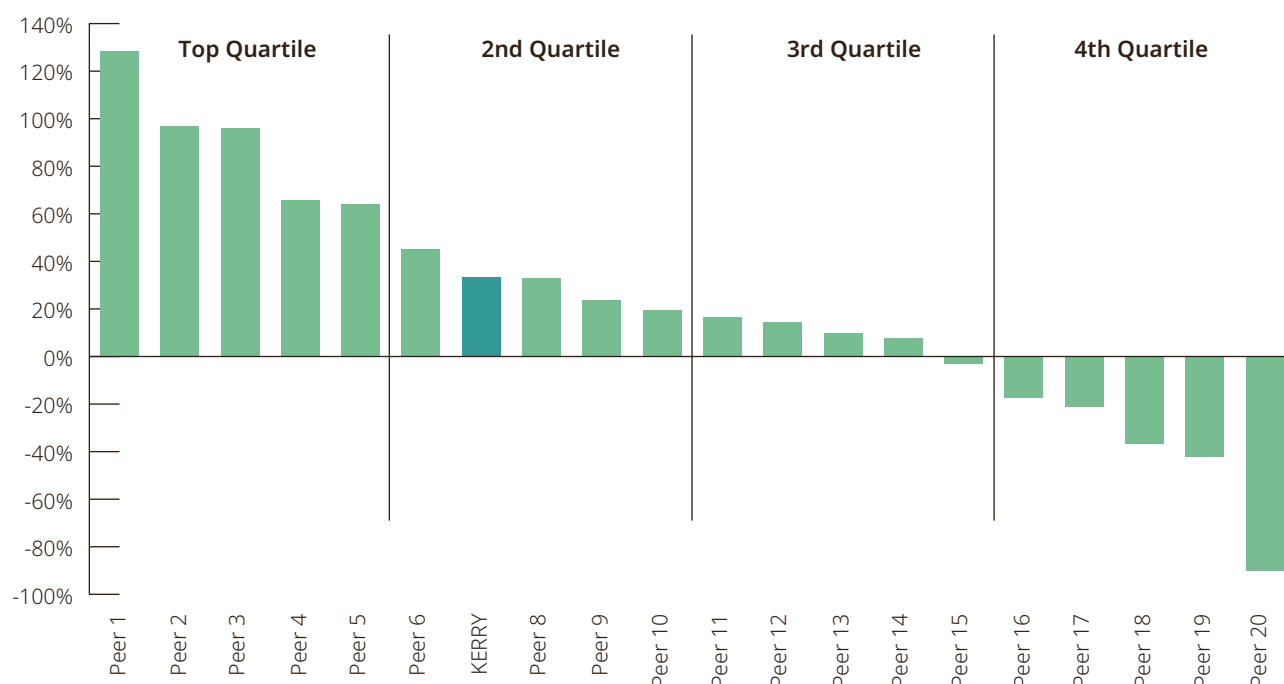
When assessing whether the performance hurdle has been met, this measurement is determined by reference to the ranking of Kerry's TSR over the three-year performance period, in comparison with the TSR performance of the companies in the peer group. The awards vest in line with the following table:

Position of Kerry in the Peer Group	Percentage of the Award Which Vests
Below median	0%
Median	30%
Between median and 75th percentile	Straight line between 30% and 100%
Greater than 75th percentile	100%

The performance graph below shows Kerry's TSR compared to the peer companies over the three year performance period from 1 January 2018 to 31 December 2020 for the LTIP awards which issued in 2018. These awards have a vesting date on or before 30 April 2021.

3 Year TSR: Kerry and Comparator 1 January 2018 - 31 December 2020

See chart on page 146, which illustrates the Group's TSR performance from 2010 to 2020



Vesting Level for TSR Metric

The outcome of the measurement of the TSR condition in relation to the 2018 awards is in the 2nd quartile, resulting in an award outcome of 24.5% out of a possible maximum of 30%.

ROACE Performance Test

20% of the award vests according to the Group's ROACE over the performance period. ROACE represents a good perspective on the Group's internal rate of return and financial added value for shareholders. ROACE supports the strategic focus on growth and margins through ensuring cash is reinvested to generate appropriate returns. This measurement is determined by reference to the ROACE in each of the three financial years included in the performance period:

	Return on Average Capital Employed	Percentage of the Award Which Vests
Threshold	10%	25%
Target	12%	50%
Maximum	14%	100%

Below 10% none of the award vests. Vesting between target points is on a straight line basis.

Vesting Level for ROACE Metric

The outcome of the measurement of the ROACE condition in relation to the 2018 award is a ROACE of 11.2% resulting in a reward outcome of 8% out of a maximum of 20%.

Table 3: Overall Outcome of the 2018 LTIP Award Vesting in 2021

LTIP Metric*	Weighting %	Actual Vesting %
EPS	50%	0%
TSR	30%	24.5 %
ROACE	20%	8.0%
		32.5%

* See TSR, EPS and ROACE tables above for details of performance metrics.

Summary of outstanding LTIP awards

The following table shows the Executive Directors' and Company Secretary's interests under the LTIP. Conditional awards at 1 January 2020 relate to awards made in 2017, 2018 and 2019 which have a three year performance period. The 2017 awards vested in 2020. The 2018 and 2019 awards will potentially vest in 2021 and 2022 respectively. The market price of the shares on the date of each award is disclosed in note 27 to the financial statements.

Executive Directors' and Company Secretary's Interests in Long-Term Incentive Plan

Table 4: Individual Interest in LTIP (Audited)

LTIP Vesting and Conditional Awards								
	LTIP Scheme	Conditional Awards at 1 January 2020	Share Awards Vested During the Year	Share Option Awards During the Year	Share/Option Awards Lapsed During the Year	Conditional Awards Made During the Year	Conditional Awards at 31 December 2020	Share Price at Date of Conditional Award Made During the Year
Directors								
Edmond Scanlon	2013	77,446	-	(11,524)	(6,827)	21,821	80,916	€109
Marguerite Larkin	2013	20,569	-	-	-	12,145	32,714	€109
Gerry Behan	2013	57,405	(13,906)	-	(8,238)	15,354	50,615	€109
Company Secretary								
Ronan Deasy	2013	13,014	-	(2,212)	(1,311)	2,628	12,119	€109

Conditional LTIP awards made on 9 March 2020 have a three year performance period and will potentially vest in March 2023. 50% of the shares/share options which potentially vest under the LTIP, are issued immediately upon vesting. The remaining 50% of the award is issued to participants following a two year deferral period in March 2025.

The following table shows the share options which are held by the Executive Directors and the Company Secretary under the STIP and LTIP:

Table 5: Share Options Held Under the STIP and LTIP (Audited)

	Share Options Outstanding at 1 January 2020	Share Options Exercised During the Year	Share Options Vested During the Year	Share Options Outstanding at 31 December 2020	Exercise Price Per Share
Directors					
Edmond Scanlon ¹	15,823	-	14,532	30,355	€0.125
Marguerite Larkin ¹	696	-	1,560	2,256	€0.125
Company Secretary					
Ronan Deasy	3,413	(2,078)	2,212	3,547	€0.125

Note 1: Share Options which vested in March 2020 related to 2017 LTIP awards and 25% of the 2019 STIP (paid in March 2020). 50% of share options vested under the LTIP are subject to a two year deferral period and 25% of the STIP payments which are delivered in share options are subject to a two year deferral period.

Once vested, share options under the LTIP can be exercised for up to seven years before they lapse. For share options subject to the two year deferral period, they can be exercised for up to five years following the end of the two year deferral period, before they lapse i.e. seven years following the vest date.

Executive Directors' Pensions

The pension benefits under defined benefit pension plans for Gerry Behan during the year are outlined in the following table.

Table 6: Defined Benefit – Pensions Individual Summary (Audited)

	Accrued Benefits on Leaving Service at End of Year Increase During the Year (Excluding Inflation) \$'000	Accumulated Total at End of Year \$'000	Transfer Value of Increase in Accumulated Accrued Benefits \$'000
Gerry Behan			
2020	31	583	451
2019	25	552	321

Note: The table shows the Executive Director's pension in the currency of payment to ensure clarity in reflecting the year on year payment comparisons.

Note: Contributions were made to an Irish defined contribution plan in respect of Edmond Scanlon. Marguerite Larkin receives a taxable cash payment in lieu of pension benefits. These contributions are reflected in the single figure table (table 1) on page 137.

Payments to Former Directors

No payments were made to former Directors during 2020 (2019: €nil) in respect of their duties as Directors.

Vested 2015 LTIP awards and vested 2017 STIP awards, which were subject to a two year deferral period and delivered in 2020 in respect of former Executive Directors, were disclosed in previous annual reports when earned and therefore are not disclosed separately.

Payment for Loss of Office

There were no payments for loss of office in 2020 (2019: €nil).

Non-Executive Director Remuneration

Table 7: Remuneration paid to non-Executive Directors in 2020 (Audited)

	Fees 2020 ¹ €	Fees 2019 €
Hugh Brady	91,875	98,000
Gerard Culligan	73,125	78,000
Karin Dorrepaal	91,875	98,000
Joan Garahy	120,000	128,000
Emer Gilvarry*	14,666	-
James C. Kenny**	39,000	117,000
Tom Moran	103,125	105,000
Con Murphy	73,125	78,000
Christopher Rogers	102,037	103,000
Philip Toomey	335,156	357,500
	1,043,984	1,162,500

Note 1: As a solidarity gesture in light of COVID-19 and those impacted, the Chairman and non-Executive Directors volunteered a 25% reduction in their fees for a three month period.

* Emer Gilvarry was appointed to the Board on 1 November 2020.

** James Kenny retired from the Board on 30 April 2020.

Non-Executive Directors are reimbursed for travel and accommodation expenses and any personal tax that may be due on those expenses. The gross amount of these expenses that were deemed to be taxable is €1,528.

Directors' and Company Secretary's Interests

There have been no contracts or arrangements with the Company or any subsidiary during the year, in which a Director of the Company was materially interested, and which were significant in relation to the Group's business. The interests of the Directors and the Company Secretary of the Company and their spouses and minor children in the share capital of the Company, all of which were beneficial unless otherwise indicated, are shown below:

Table 8: Directors' and Company Secretary Shareholdings

	31 December 2020 Ordinary Shares Number	31 December 2020 Share Options Number	31 December 2020 Total Number	31 December 2019 Ordinary Shares Number	31 December 2019 Share Options Number	31 December 2019 Total Number
Directors						
Gerry Behan	55,581	-	55,581	47,830	-	47,830
- Deferred ¹	16,071	-	16,071	17,074	-	17,074
Hugh Brady	-	-	-	1,250	-	1,250
Gerard Culligan	-	-	-	-	-	-
Karin Dorrepaal	-	-	-	-	-	-
Joan Garahy	1,050	-	1,050	1,050	-	1,050
Emer Gilvarry	-	-	-	-	-	-
James C. Kenny	-	-	-	-	-	-
Marguerite Larkin	1,500	-	1,500	1,500	-	1,500
- Deferred ¹	-	2,256	2,256	-	696	696
Tom Moran	539	-	539	539	-	539
Con Murphy	7,721	-	7,721	7,721	-	7,721
Christopher Rogers	640	-	640	640	-	640
Edmond Scanlon	9,611	17,199	26,810	9,611	8,195	17,806
- Deferred ¹	-	13,156	13,156	-	7,628	7,628
Philip Toomey	6,000	-	6,000	6,000	-	6,000
Company Secretary						
Ronan Deasy	3,230	1,106	4,336	3,230	998	4,228
- Deferred ¹	-	2,441	2,441	-	2,415	2,415

Note 1: The deferred shares and share options above, relate to 25% of the Executive Directors 2018 and 2019 STIP awards and 50% of the 2016 and 2017 LTIP award (vested in March 2019 and 2020 respectively). These awards are subject to a two year deferral period and will be delivered in shares/share options in March 2021 and March 2022 respectively.

Shareholding Guidelines

The table below sets out the Executive Directors' shareholding at 31 December 2020 shown as a multiple of basic salary. Refer to the Remuneration Policy Table on page 130 in Section C for details of the Executive Director shareholding requirements.

Table 9: Individual Shareholding as a Multiple of Basic Salary

Executive Director	As a Multiple of Basic Salary ¹
Edmond Scanlon	4.0x
Marguerite Larkin ²	0.6x
Gerry Behan	10.0x

Note 1: The share price used to calculate the above is the share price as at 31 December 2020 and the shareholding is based on all shares held and vested option awards (including deferred) reflected in table 8 above.

Note 2: Marguerite Larkin, in line with the proposed new policy, has to increase her shareholding to at least the minimum 2.5x basic salary through the retention of 50% of vested annual bonus and LTIP shares/options (after sales to meet taxes).

TSR Performance and Chief Executive Officer Remuneration

The graph below illustrates the TSR performance of the Group over the past ten years showing the increase in value of €100 invested in Group's shares from 31 December 2010 to 31 December 2020. Also outlined in the table on page 147, the remuneration of the Chief Executive Officer is calculated in line with the methodology captured under legislation which was enacted for UK incorporated companies.

10 Year Total Shareholder Return (Value of €100 Invested on 31/12/2010)

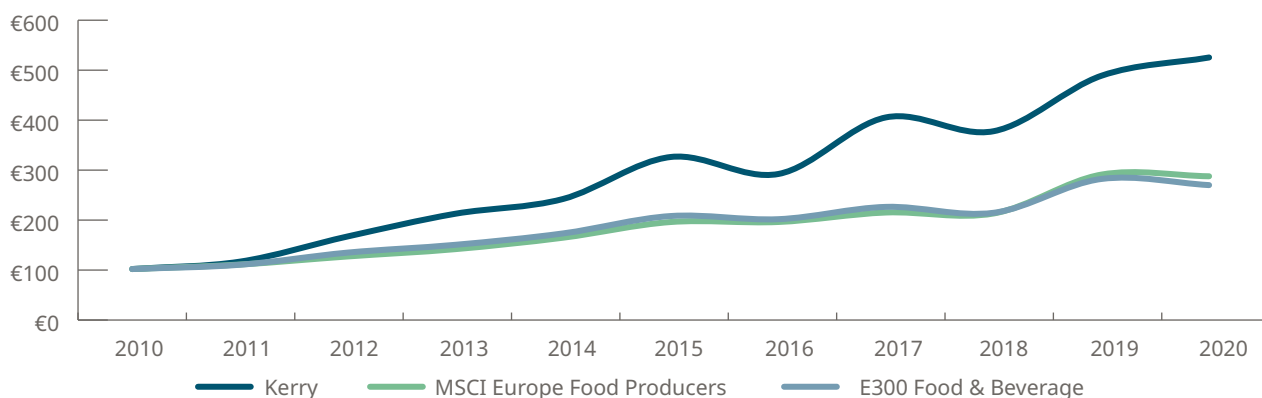


Table 10: Remuneration Paid to the CEO 2011–2020

The Committee believes that the Policy and the supporting reward structure provide a clear alignment with the strategic objectives and performance of the Group. To maintain this relationship, the Committee regularly reviews the business priorities and the environment in which the Group operates. The table below shows the Group CEO's total remuneration over the last 10 years and the achieved annual variable and long-term incentive pay awards as a percentage of the plan maximum.

	Total remuneration €'000	Annual incentive payout as a % of maximum	LTIP achieved as a % of maximum
CEO – Stan McCarthy			
2011	3,283	73%	100%
2012	3,538	74%	100%
2013	3,592	70%	100%
2014	3,283	57%	91.9%
2015	4,161	58%	61.8%
2016	3,625	62%	29.4%
2017	5,285	75%	62.3%
CEO – Edmond Scanlon			
2017 ¹	808	75%	62.3%
2018	2,577	60%	63.7%
2019	3,991	76%	62.8%
2020	2,323	0%	32.5%

Note 1: Edmond Scanlon was appointed CEO and to the Board on 1 October 2017 and his remuneration reflected in the table above relates to remuneration from that date.

Table 11: Annual change in pay for Directors and all employees

In line with the implementation of Articles 9a and 9b of European Directive 2017/828/EC1 (commonly known as the Revised Shareholder Rights Directive or SRDII) into the Irish Companies Act 2014, the table below shows the percentage change in each Director's total remuneration and the global average total remuneration of an employee from the year ended 31 December 2019 to the year ended 31 December 2020.

Year-on-year change in pay for Directors compared to the global average employee ¹			
	2020 €	2019 €	YoY Change %
Executive Directors			
Edmond Scanlon	2,323,000	3,991,000	(41.8%)
Marguerite Larkin	1,115,000	1,558,000	(28.4%)
Gerry Behan	1,762,000	3,329,000	(47.1%)
Non-Executive Directors			
Hugh Brady	91,875	98,000	(6.3%)
Gerard Culligan	73,125	78,000	(6.3%)
Karin Dorrepaal	91,875	98,000	(6.3%)
Joan Garahy	120,000	128,000	(6.3%)
Emer Gilvarry*	14,666	-	100%
James C. Kenny**	39,000	117,000	(66.7%)
Tom Moran***	103,125	105,000	(1.8%)
Con Murphy	73,125	78,000	(6.3%)
Christopher Rogers***	102,037	103,000	(0.9%)
Philip Toomey	335,156	357,500	(6.3%)
All Group Employees	46,389	45,824	1.2%
TSR Performance²			7.4%

Note 1: Calculated by dividing the aggregate payroll costs of employees in 2020 (excluding social welfare costs and costs related to Executive Directors) by the average number of employees in 2020, as disclosed in note 4 to the consolidated financial statements.

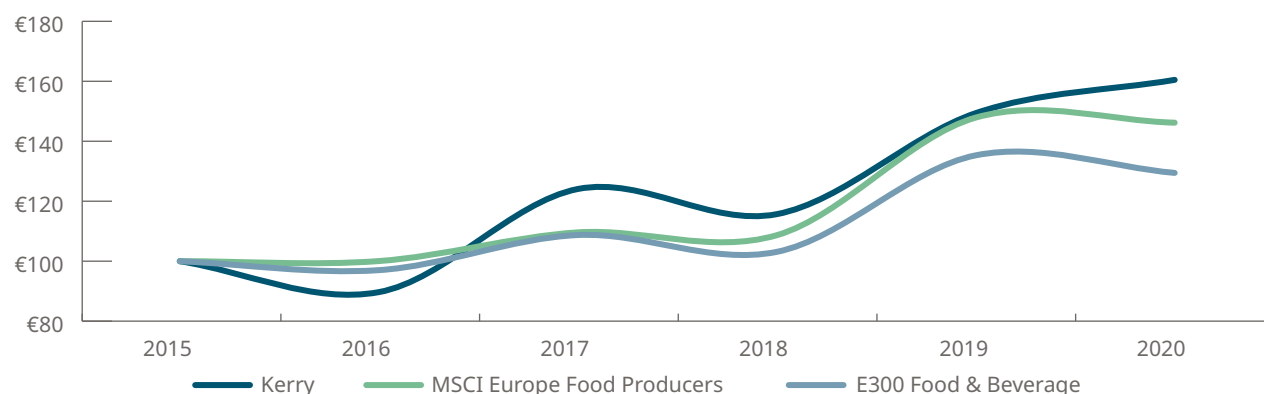
Note 2: TSR performance for the period from 31 December 2019 to 31 December 2020.

* Emer Gilvarry joined the Board on 1 November 2020.

** James Kenny retired from the Board on 30 April 2020.

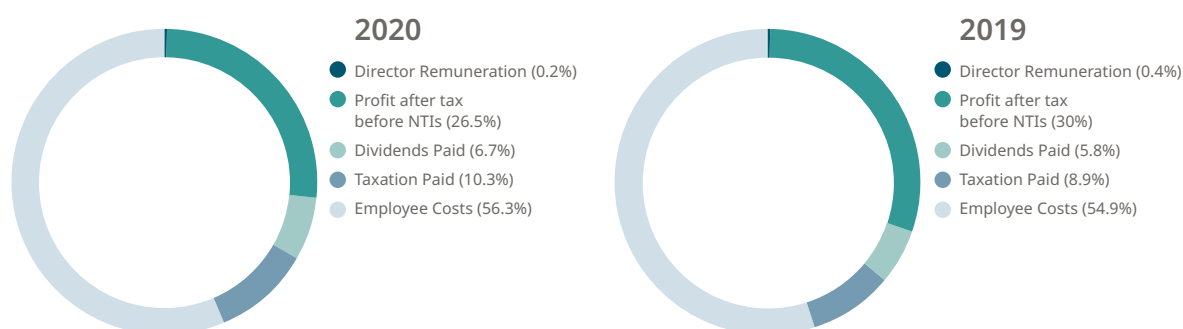
*** Christopher Rogers was appointed to the Remuneration Committee in 2020 and received an additional Committee membership fee as a result and Tom Moran received a full year fee for his role as the designated employee engagement Director following his appointment to that role in June 2019 which are the reasons why their % decreases are not in line with those for the other Directors.

Performance of the Company: 5 Year Total Shareholder Return



Relative Importance of Spend on Pay

The total amount spent on Executive Director remuneration (including Long-Term Incentive Plan) and overall employee pay is outlined below in relation to retained profit, dividends paid and taxation paid.



Dilution

The Group offers Executive Directors and senior management the opportunity to participate in share-based schemes as part of the Group's Remuneration Policy. In line with best practice guidelines, the Company ensures that the level of share awards granted under all share schemes does not exceed 10% of the Group's share capital over a rolling ten year period, with a further limitation of 5% in any ten year period in respect of discretionary schemes. The dilution resulting from all vested share awards/share options for the ten year period to 31 December 2020 is 0.9%. This level of dilution is well below the maximum dilution level recommended for executive share-based incentive plans.

The potential future dilution level from unvested share awards/share options as a result of these schemes is a further 0.7%.

Table 12: CEO Ratio

The UK Companies (Miscellaneous Reporting) Regulations 2018 require certain UK incorporated companies to publish the ratio of CEO remuneration to UK staff pay. Although not a requirement for Irish incorporated companies, the ratio of the CEO's total remuneration to that of the median Irish employee is disclosed in the table below, in line with the Group's commitment to ensure that its remuneration policies, practices and reporting reflect best corporate governance practices.

In providing the CEO ratio we have used Method C as set out in the regulations but have applied the principles of Method A.

	2020	2019
Chief Executive Officer: Total remuneration	€2,323,000	€3,991,000
Median Irish Employee: Total remuneration	€42,137	€40,592
Median Irish Employee: Salary only	€39,654	€37,823
Median Pay Ratio – Total remuneration	55x	98x
Median Pay Ratio – Excluding all variable short and long-term incentives	33x	34x

The Committee believes that our senior executives should have a significant proportion of their pay directly linked to Group performance in order to drive alignment with shareholders. A significant portion of the Chief Executive Officer's remuneration is therefore delivered through the Group's short-term and long-term incentive plans where awards are linked to Group performance and share price movements over time. This means that ratios will depend significantly on short-term and long-term incentive outturns and may fluctuate from year to year as a result.

The CEO pay ratio based on total remuneration has reduced year on year. Performance outturns in 2019 were strong under both the short-term and long-term incentive plans with both outturns exceeding target. In 2020, as reported in previous sections, there was no STIP payout and the LTIP award for the three-year period ended 31 December 2020 had a lower vesting outturn compared to prior years. As a result, the total remuneration for the Chief Executive Officer has reduced in 2020 as compared to 2019. In addition, the single figure amount for the CEO reflects a 25% voluntary reduction in basic salary for three months in 2020 in light of the COVID-19 pandemic.

In comparison the remuneration earned by the median Irish employee has increased year on year due to annual pay increases with basic pay levels maintained despite COVID-19. As the median Irish employee does not participate in the Group's short-term or long-term performance related incentive plans, the Committee has provided the median pay ratio excluding these variable pay elements again in 2020 and this ratio has also reduced year on year.

Statement on Shareholder Voting

Below is an overview of the voting which took place at the most recent AGMs to approve the Directors' Remuneration Policy and the Directors' Remuneration Report.

Table 13: Votes on Remuneration

Total Votes Cast	Votes For	Votes Against	Votes Withheld/Abstained
<i>Directors' Remuneration Policy (2018 AGM)</i>			
100,762,070	98,418,376	2,343,694	261,701
	97.7%	2.3%	
<i>Directors' Remuneration Report (2020 AGM)</i>			
111,061,320	107,298,741	3,762,579	1,368,712
	96.6%	3.4%	

The Committee appreciates the level of support shown by the shareholders for the Remuneration Report and is committed to continued consultation with shareholders with regard to the Remuneration Policy.

INDEPENDENT AUDITORS' REPORT

Independent auditors' report
to the members of Kerry Group plc**Report on the audit of the
financial statements****Opinion**

In our opinion, Kerry Group plc's consolidated financial statements and Company financial statements (the 'financial statements'):

- give a true and fair view of the Group's and the Company's assets, liabilities and financial position as at 31 December 2020 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2014; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise:

- the Consolidated and Company balance sheets as at 31 December 2020;
- the Consolidated income statement and Consolidated statement of comprehensive income for the year then ended;
- the Consolidated and Company statements of cash flows for the year then ended;
- the Consolidated and Company statements of changes in equity for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements and are described as being an integral part of the financial statements as set out in the basis of preparation on page 166. These are cross-referenced from the financial statements and are identified as audited.

Our opinion is consistent with our reporting to the Audit Committee.

**Separate opinion in relation to IFRSs as issued
by the IASB**

As explained in note 1 to the financial statements, the Group, in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion, the consolidated financial statements comply with IFRSs as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ('ISAs (Ireland)') and applicable law. Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

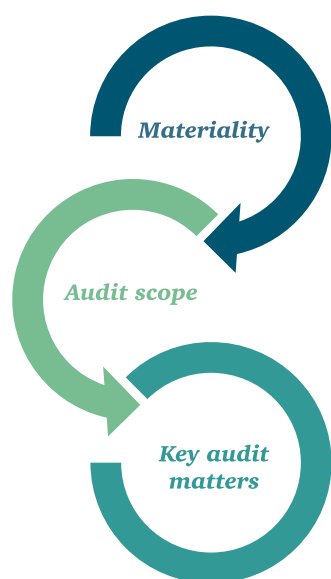
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by IAASA's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in note 3 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 January 2020 to 31 December 2020.

Our audit approach

Overview



Materiality

- €34.5 million (2019: €38 million) - Consolidated financial statements.
- Based on approximately 5% of three-year average profit before taxation and non-trading items. In the prior year, materiality was based on approximately 5% of profit before taxation and non-trading items.
- €8 million (2019: €8 million) - Company financial statements.
- Based on approximately 1% of Net Assets.

Audit scope

- We conducted audit work in 43 reporting components. We selected these components due to their size or characteristics and to ensure appropriate audit coverage. An audit of the full financial information of 33 components was performed and specified procedures on selected account balances of a further 10 components were performed. We also performed audit work at each of the principal shared service centres.
- Taken together, the reporting components where an audit of the full financial information was performed accounted for in excess of 90% of Consolidated revenues and approximately 89% of Consolidated profit before taxation and non-trading items.

Key audit matters

- Goodwill and indefinite life intangible assets impairment assessment.
- Business combinations.
- Income taxes.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Goodwill and indefinite life intangible assets impairment assessment Refer to note 1 'Statement of accounting policies' and note 12 'Intangible assets'. The Group has goodwill and indefinite life intangible assets of €3,912.4 million at 31 December 2020 representing approximately 41% of the Group's total assets at year end. Goodwill and indefinite life intangible assets are subject to impairment testing on an annual basis or more frequently if there are indicators of impairment. We determined this to be a key audit matter given the scale of the assets and because the determination of whether an impairment charge for goodwill or indefinite life intangible assets was necessary involves significant judgement in estimating the future results of the business, including the potential impact of COVID-19 on those results and determining the appropriate discount rate to use.	Our audit team, assisted by our in-house valuation experts, interrogated the Group's impairment models and evaluated the methodology followed and key assumptions used. We assessed management's future cash flow forecasts, and the process by which they were drawn up, and concluded they were consistent with the latest management approved five year forecast. In evaluating these forecasts we considered the Group's historic performance, its past record of achieving strategic objectives and management's assessment of the likely impact which COVID-19 may have on financial performance. We also tested the mathematical accuracy of the cash flow model. We satisfied ourselves as to the appropriateness of the Group's forecast growth rate assumptions used to calculate terminal values at year five, by comparing them to independent sources (for example, OECD statistics) of projected growth rates for each region. We challenged management's calculation of the discount rates used by recalculating an acceptable range of discount rates (adjusted to reflect risks associated with each Group of CGUs) using observable inputs from independent external sources and concluded the discount rates used by management fell within that range. We also considered management's sensitivity analysis and performed our own sensitivity analysis on the impact of changes in key assumptions on the impairment assessment, for example the cash flows, discount rates and the rates of growth assumed by management. We assessed the appropriateness of the related disclosures within the financial statements.
Business combinations Refer to note 1 'Statement of accounting policies' and note 29 'Business combinations'. The Group completed 3 acquisitions during 2020, the most significant of which were Bio-K Plus International Inc. and Shandong Tianbo Food Ingredients Co., Ltd which are in the Americas and APMEA regions of the Taste & Nutrition segment. The Group was required to determine the fair values of all acquired assets and liabilities including the identification and valuation of intangible assets. The most significant acquired asset in all cases was brand related intangibles. In accordance with IFRS3, 'Business Combinations', the valuations referred to above have been prepared on a provisional basis. The Group will finalise its valuations within the 12-month measurement period. We determined this to be a key audit matter as significant judgement is exercised in selecting an appropriate valuation methodology. Judgement is also exercised in determining assumptions such as revenue growth rates and the excess earnings rate which underlie the cash flows in the models. Other significant assumptions include the discount rate and contributory asset charge.	We obtained and evaluated the reports prepared by management's valuation specialists to value brand related intangibles. We were assisted by our in-house valuation experts in assessing the reasonableness of the valuation methodologies and assumptions used by the Group. We considered the assumptions used to derive the cash flows underlying the valuation model, (including the growth rate and the excess earnings rate) by agreeing them to the board approved business case and external data where available. In evaluating these forecasts we considered any likely impact which COVID-19 may have on financial performance and how this was reflected in the valuation models. We also considered the discount rate and contributory asset charge in light of the acquiree's industry and geography. We were satisfied that the methodology and assumptions used were reasonable.

Key audit matter	How our audit addressed the key audit matter
Income taxes Refer to note 1 'Statement of accounting policies', note 7 'Income taxes' and note 17 'Deferred tax assets and liabilities'. The global nature of the Group means that it operates across a large number of jurisdictions and is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business. Tax legislation is open to different interpretations and the tax treatments of many items are uncertain. Tax audits can require several years to conclude, and transfer pricing judgements may impact the Group's tax liabilities. Management judgement and estimation is required in the measurement of uncertain tax positions in the context of the recognition of current and deferred tax assets/liabilities. We determined this to be a key audit matter due to its inherent complexity and the estimation and judgement involved in the measurement of uncertain tax positions in the context of the recognition of current and deferred tax assets/liabilities.	We obtained an understanding of the Group tax strategy through discussions with management and the Group's in-house tax specialists. The team, assisted by PwC International and Irish taxation specialists, challenged judgements used and estimates made by management to measure uncertain tax positions in the context of the recognition of current and deferred tax assets/liabilities. This included obtaining explanations regarding the tax treatment applied to material transactions and evidence to corroborate management's explanations. Such evidence included management's communications with local tax authorities and copies of the tax advice obtained by management from its external tax advisors including transfer pricing studies and the assessment of the impact of COVID-19 on these studies where appropriate. Based on the evidence obtained, while noting the inherent uncertainty with such tax matters, we determined the measurement of uncertain tax positions in the context of the recognition of current and deferred tax assets/liabilities as at 31 December 2020 to be within an acceptable range of reasonable estimates.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, including those performed at the Group's shared service centres and the industry in which the Group operates.

The Group is structured along two operating segments: Taste & Nutrition and Consumer Foods across 31 countries. The majority of the Group's components are supported by one of four principal shared service centres in Ireland, Malaysia, and the United States.

We determined that an audit of the full financial information should be performed at 33 components due to their size or risk characteristics and to ensure appropriate coverage. These 33 components span 10 countries and include components that control central Group functions such as Treasury and Employee Benefits. Specific audit procedures on certain balances and transactions were performed at 10 of the remaining reporting components primarily to ensure appropriate audit coverage. Taken collectively these components represent the principal business of the Group and account for in excess of 90% of Group revenue and approximately 89% of Group profit before taxation and non-trading items.

The Group team performed the audit of the central function components and component auditors within PwC ROI and from other PwC network firms, operating under our instruction, performed the audit on all other in scope components and the required supporting audit work at each of the four principal shared service centres.

The Group team were responsible for the scope and direction of the audit. Where the work was performed by component auditors, we determined the level of involvement the Group team needed to have to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

Due to the current restrictions on travel and social distancing measures, enacted as a response to the global pandemic, the Group engagement leader and senior members of the Group engagement team used video conferencing to facilitate our oversight of the component auditor work and had video meetings and discussions with management and component audit teams in Ireland, the USA, Brazil, Mexico and the Asia Pacific region.

The meetings with our component teams confirmed their audit approach. The meetings also involved discussing and understanding the significant audit risk areas, and obtaining updates on local laws and regulations and other relevant matters. In addition to the meetings noted above, the Group team interacted regularly with the component teams during all stages of the audit. We received a detailed memorandum of examination on work performed and relevant findings in addition to an audit report which supplemented our understanding of the individual components. In addition to this, the Group engagement team reviewed certain audit working papers of significant components. Post audit conference calls were held with all in scope audit teams to discuss their audit findings.

This, together with audit procedures performed by the Group team over IT systems, treasury, post-retirement benefits, the consolidation process and key audit matters including uncertain tax positions, impairment testing of goodwill and indefinite lived intangible assets, and business combinations, gave us the evidence we needed for our opinion on the consolidated financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Consolidated financial statements	Company financial statements
Overall materiality	€34.5 million (2019: €38 million).	€8 million (2019: €8 million).
How we determined it	Approximately 5% of three-year average profit before taxation and non-trading items. In the prior year, materiality was calculated using 5% of profit before taxation and non-trading items.	Approximately 1% of Net Assets.
Rationale for benchmark applied	We applied this benchmark because in our view this is a metric against which the recurring performance of the Group is commonly measured by its stakeholders and it results in using a materiality level that excludes the impact of volatility in earnings. The COVID-19 pandemic impacted the results of the business for the year ended 31 December 2020. However, the overall size of the business, both geographically and in terms of products, did not reduce.	The entity is a holding Company whose main activity is the management of investments in subsidiaries.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €1.7 million (Group audit) (2019: €1.8 million) and €400,000 (Company audit) (2019: €400,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group and Company's ability to continue to adopt the going concern basis of accounting included:

- evaluating management's base case and downside scenarios for the period of the going concern assessment (being the period of 12 months from the date on which the financial statements are authorised for issue), and challenging the key assumptions. In evaluating these forecasts we considered the Group's historic performance, its past record of achieving strategic objectives and management's assessment of the likely impact which COVID-19 may have on financial performance and liquidity for a period of 12 months from the date on which the financial statements are authorised for issue;
- we also considered whether the assumptions underlying the base case were consistent with related assumptions used in other areas of the entity's business activities, for example in testing for non-financial asset impairment;
- considering the Group's available financing and maturity profile to assess liquidity through the going concern assessment period;
- testing the mathematical integrity of the forecasts and the models and reconciling these to board approved budgets; and
- performing our own independent sensitivity analysis to assess further appropriate downside scenarios.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Company's ability to continue as a going concern for the period of the going concern assessment.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's or the Company's ability to continue as a going concern.

In relation to the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

We are required to report if the directors' statement relating to going concern in accordance with Rule 9.8.6 R (3) of the Listing Rules of the UK Financial Conduct Authority and Rule 6.1.82 (3) (a) of the Listing Rules for Euronext Dublin is materially inconsistent with our knowledge obtained in the audit. We have nothing to report in respect of this responsibility.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the Companies Act 2014 (excluding the information included in the 'Non Financial Statement' as defined by that Act on which we are not required to report) have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland), the Companies Act 2014 (CA14) and the Listing Rules applicable to the Company (Listing Rules) require us to also report certain opinions and matters as described below (required by ISAs (Ireland) unless otherwise stated).

Directors' Report

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report (excluding the information included in the 'Non Financial Statement' on which we are not required to report) for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements. (CA14)
- Based on our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report (excluding the information included in the 'Non Financial Statement' on which we are not required to report). (CA14)

Corporate governance statement

- In our opinion, based on the work undertaken in the course of the audit of the financial statements,
 - the description of the main features of the internal control and risk management systems in relation to the financial reporting process included in the Corporate Governance Report; and
 - the information required by Section 1373(2)(d) of the Companies Act 2014 included in the Report of the Directors;
 is consistent with the financial statements and has been prepared in accordance with section 1373(2) of the Companies Act 2014. (CA14)
- Based on our knowledge and understanding of the Company and its environment obtained in the course of the audit of the financial statements, we have not identified material misstatements in the description of the main features of the internal control and risk management systems in relation to the financial reporting process and the information required by section 1373(2)(d) of the Companies Act 2014 included in the Corporate Governance Report and the Report of the Directors. (CA14)
- In our opinion, based on the work undertaken during the course of the audit of the financial statements, the information required by section 1373(2)(a),(b),(e) and (f) of the Companies Act 2014 and regulation 6 of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and Groups) Regulations 2017 is contained in the Directors' Report. (CA14)

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or to draw attention to regarding:

- The directors' confirmation on page 106 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 83 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors on page 92 that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 108-109 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the Company's compliance with the Code and the Irish Corporate Governance Annex does not properly disclose a departure from a relevant provision of the Code or the Annex specified, under the Listing Rules, for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibility Statement set out on pages 91-92, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:
https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2014 opinions on other matters

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the Company were sufficient to permit the Company financial statements to be readily and properly audited.
- The Company balance sheet is in agreement with the accounting records.

Other exception reporting

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

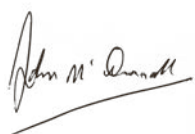
We are required by the Listing Rules to review the six specified elements of disclosures in the report to shareholders by the Board on directors' remuneration. We have no exceptions to report arising from this responsibility.

Prior financial year Non Financial Statement

We are required to report if the Company has not provided the information required by Regulation 5(2) to 5(7) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and Groups) Regulations 2017 in respect of the prior financial year. We have nothing to report arising from this responsibility.

Appointment

We were appointed by the members on 28 April 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is 5 years, covering the years ended 31 December 2016 to 31 December 2020.



John McDonnell

for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin

15 February 2021

Consolidated Income Statement

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Notes	Before Non- Trading Items 2020 €'m	Non- Trading Items 2020 €'m	Total 2020 €'m	Before Non- Trading Items 2019 €'m	Non- Trading Items 2019 €'m	Total 2019 €'m
Continuing operations							
Revenue	2	6,953.4	-	6,953.4	7,241.3	-	7,241.3
Trading profit	2/3	797.2	-	797.2	902.7	-	902.7
Intangible asset amortisation	12	(70.1)	-	(70.1)	(64.3)	-	(64.3)
Non-trading items	5	-	(19.4)	(19.4)	-	(110.9)	(110.9)
Operating profit	3	727.1	(19.4)	707.7	838.4	(110.9)	727.5
Finance income	6	0.2	-	0.2	0.3	-	0.3
Finance costs	6	(72.6)	-	(72.6)	(81.9)	-	(81.9)
Profit before taxation		654.7	(19.4)	635.3	756.8	(110.9)	645.9
Income taxes	7	(85.1)	3.9	(81.2)	(98.6)	19.2	(79.4)
Profit after taxation attributable to owners of the parent		569.6	(15.5)	554.1	658.2	(91.7)	566.5
Earnings per A ordinary share				Cent			Cent
- basic	9			313.0			320.4
- diluted	9			312.5			319.9

Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Notes	2020 €'m	2019 €'m
Profit after taxation attributable to owners of the parent		554.1	566.5
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss:			
Fair value movements on cash flow hedges		7.9	7.2
Cash flow hedges - reclassified to profit or loss from equity	23	2.9	0.1
Net change in cost of hedging	23	(0.9)	0.6
Deferred tax effect of fair value movements on cash flow hedges	17	(2.0)	(1.4)
Exchange difference on translation of foreign operations		(282.3)	67.0
Fair value movement on revaluation of financial assets held at fair value through other comprehensive income	13	(1.3)	(1.0)
Disposal of financial assets fair value movement reclassified to profit or loss		0.7	-
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement on retirement benefits obligation	25	(67.0)	14.0
Deferred tax effect of re-measurement on retirement benefits obligation	17	11.8	(2.0)
Net (expense)/income recognised directly in total other comprehensive income		(330.2)	84.5
Total comprehensive income		223.9	651.0

Consolidated Balance Sheet

AS AT 31 DECEMBER 2020

	Notes	31 December 2020 €'m	31 December 2019 €'m
Non-current assets			
Property, plant and equipment	11	1,990.6	2,062.9
Intangible assets	12	4,687.1	4,589.7
Financial asset investments	13	37.0	41.7
Investment in joint ventures	14	17.8	16.2
Other non-current financial instruments	22	82.0	82.7
Deferred tax assets	17	33.8	38.9
		6,848.3	6,832.1
Current assets			
Inventories	16	975.6	993.3
Trade and other receivables	18	1,042.0	1,066.3
Cash at bank and in hand	22	563.1	554.9
Other current financial instruments	22	14.1	57.7
		2,594.8	2,672.2
Total assets		9,443.1	9,504.3
Current liabilities			
Trade and other payables	19	1,543.3	1,643.0
Borrowings and overdrafts	22	2.8	190.8
Other current financial instruments	22	10.0	12.1
Tax liabilities		132.6	140.7
Provisions	24	5.2	25.2
Deferred income	20	2.4	2.2
		1,696.3	2,014.0
Non-current liabilities			
Borrowings	22	2,505.8	2,355.3
Other non-current financial instruments	22	0.5	-
Retirement benefits obligation	25	54.4	11.9
Other non-current liabilities	21	144.9	167.9
Deferred tax liabilities	17	330.2	338.9
Provisions	24	36.1	33.2
Deferred income	20	19.4	20.9
		3,091.3	2,928.1
Total liabilities		4,787.6	4,942.1
Net assets		4,655.5	4,562.2
Issued capital and reserves attributable to owners of the parent			
Share capital	26	22.1	22.1
Share premium		398.7	398.7
Other reserves		(379.5)	(119.0)
Retained earnings		4,614.2	4,260.4
Shareholders' equity		4,655.5	4,562.2

The financial statements were approved by the Board of Directors on 15 February 2021 and signed on its behalf by:

Philip Toomey, Chairman

Edmond Scanlon, Chief Executive Officer

Company Balance Sheet

AS AT 31 DECEMBER 2020

	Notes	31 December 2020 €'m	31 December 2019 €'m
Non-current assets			
Property, plant and equipment	11	0.3	0.3
Investments in subsidiaries	15	714.4	714.4
		714.7	714.7
Current assets			
Trade and other receivables	18	168.9	135.8
		168.9	135.8
Total assets		883.6	850.5
Current liabilities			
Trade and other payables	19	10.4	21.5
		10.4	21.5
Non-current liabilities			
Deferred income	20	0.1	0.1
		0.1	0.1
Total liabilities		10.5	21.6
Net assets		873.1	828.9
Issued capital and reserves			
Share capital	26	22.1	22.1
Share premium		398.7	398.7
Other reserves		92.2	79.7
Retained earnings		360.1	328.4
Shareholders' equity		873.1	828.9

The Company earned a profit after taxation of **€174.8m** for the financial year ended 31 December 2020 (2019: €140.3m).

The financial statements were approved by the Board of Directors on 15 February 2021 and signed on its behalf by:

Philip Toomey, Chairman

Edmond Scanlon, Chief Executive Officer

Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Notes	Share Capital €'m	Share Premium €'m	Other Reserves €'m	Retained Earnings €'m	Total €'m
Group:						
At 31 December 2018		22.0	398.7	(207.3)	3,821.0	4,034.4
Adjustment on initial application of IFRS 16 'Leases'	11	-	-	-	(9.4)	(9.4)
Adjusted balances at 1 January 2019		22.0	398.7	(207.3)	3,811.6	4,025.0
Profit after taxation attributable to owners of the parent		-	-	-	566.5	566.5
Other comprehensive income		-	-	73.9	10.6	84.5
Total comprehensive income		-	-	73.9	577.1	651.0
Shares issued during the financial year	26	0.1	-	-	-	0.1
Dividends paid	10	-	-	-	(128.3)	(128.3)
Share-based payment expense	27	-	-	14.4	-	14.4
At 31 December 2019		22.1	398.7	(119.0)	4,260.4	4,562.2
Profit after taxation attributable to owners of the parent		-	-	-	554.1	554.1
Other comprehensive expense		-	-	(273.0)	(57.2)	(330.2)
Total comprehensive (expense)/income		-	-	(273.0)	496.9	223.9
Shares issued during the financial year	26	-	-	-	-	-
Dividends paid	10	-	-	-	(143.1)	(143.1)
Share-based payment expense	27	-	-	12.5	-	12.5
At 31 December 2020		22.1	398.7	(379.5)	4,614.2	4,655.5

Other Reserves comprise the following:

	Note	FVOCI Reserve €'m	Capital Redemption Reserve €'m	Other Undenominated Capital €'m	Share-Based Payment Reserve €'m	Translation Reserve €'m	Hedging Reserve €'m	Cost of Hedging Reserve €'m	Total €'m
At 1 January 2019		1.6	1.7	0.3	63.3	(256.7)	(15.5)	(2.0)	(207.3)
Other comprehensive (expense)/income		(1.0)	-	-	-	67.0	7.3	0.6	73.9
Share-based payment expense	27	-	-	-	14.4	-	-	-	14.4
At 31 December 2019		0.6	1.7	0.3	77.7	(189.7)	(8.2)	(1.4)	(119.0)
Other comprehensive (expense)/income		(0.6)	-	-	-	(282.3)	10.8	(0.9)	(273.0)
Share-based payment expense	27	-	-	-	12.5	-	-	-	12.5
At 31 December 2020		-	1.7	0.3	90.2	(472.0)	2.6	(2.3)	(379.5)

The nature and purpose of each reserve within shareholders' equity are described in note 34.

Company Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Notes	Share Capital €'m	Share Premium €'m	Other Reserves €'m	Retained Earnings €'m	Total €'m
Company:						
At 1 January 2019		22.0	398.7	65.3	316.4	802.4
Profit after taxation	8	-	-	-	140.3	140.3
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	-	-	140.3	140.3
Shares issued during the financial year	26	0.1	-	-	-	0.1
Dividends paid	10	-	-	-	(128.3)	(128.3)
Share-based payment expense	27	-	-	14.4	-	14.4
At 31 December 2019		22.1	398.7	79.7	328.4	828.9
Profit after taxation	8	-	-	-	174.8	174.8
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	-	-	174.8	174.8
Shares issued during the financial year	26	-	-	-	-	-
Dividends paid	10	-	-	-	(143.1)	(143.1)
Share-based payment expense	27	-	-	12.5	-	12.5
At 31 December 2020		22.1	398.7	92.2	360.1	873.1

Other Reserves comprise the following:

	Note	Capital Redemption Reserve €'m	Other Undenominated Capital €'m	Share-Based Payment Reserve €'m	Total €'m
At 1 January 2019		1.7	0.3	63.3	65.3
Share-based payment expense	27	-	-	14.4	14.4
At 31 December 2019		1.7	0.3	77.7	79.7
Share-based payment expense	27	-	-	12.5	12.5
At 31 December 2020		1.7	0.3	90.2	92.2

The nature and purpose of each reserve within shareholders' equity are described in note 34.

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Notes	2020 €'m	2019 €'m
Operating activities			
Trading profit	28	797.2	902.7
<i>Adjustments for:</i>			
Depreciation (net)		200.7	191.4
Change in working capital	28	(108.7)	(63.9)
Pension contributions paid less pension expense		(23.4)	(26.7)
Payments on non-trading items		(39.7)	(89.1)
Exchange translation adjustment		(4.6)	(2.5)
Cash generated from operations		821.5	911.9
Income taxes paid		(74.7)	(67.2)
Finance income received		0.2	0.5
Finance costs paid		(74.8)	(81.3)
Net cash from operating activities		672.2	763.9
Investing activities			
Purchase of assets (net)	28	(276.2)	(315.6)
Proceeds from the sale of assets	5/13	7.7	32.8
Capital grants received		0.1	3.0
Purchase of businesses (net of cash acquired)	29	(251.1)	(562.7)
Payments relating to previous acquisitions		(7.5)	(5.3)
Net cash used in investing activities		(527.0)	(847.8)
Financing activities			
Dividends paid	10	(143.1)	(128.3)
Payment of lease liabilities	28	(37.0)	(35.5)
Issue of share capital	26	-	0.1
Repayment of borrowings (net of swaps)		(391.1)	(564.4)
Increase in borrowings		462.9	950.0
Net cash movement due to financing activities		(108.3)	221.9
Net increase in cash and cash equivalents		36.9	138.0
Cash and cash equivalents at beginning of the financial year		549.7	403.9
Exchange translation adjustment on cash and cash equivalents		(26.3)	7.8
Cash and cash equivalents at end of the financial year	28	560.3	549.7
Reconciliation of Net Cash Flow to Movement in Net Debt			
Net increase in cash and cash equivalents		36.9	138.0
Cash flow from debt financing		(71.8)	(385.6)
Changes in net debt resulting from cash flows		(34.9)	(247.6)
Fair value movement on interest rate swaps (net of adjustment to borrowings)	28	7.6	12.5
Exchange translation adjustment on net debt	28	26.5	(4.2)
Movement in net debt in the financial year		(0.8)	(239.3)
Net debt at beginning of the financial year		(1,862.8)	(1,623.5)
Net debt at end of the financial year - pre lease liabilities	22	(1,863.6)	(1,862.8)
Lease liabilities	11/28	(81.5)	(109.4)
Total net debt* at end of the financial year	22/28	(1,945.1)	(1,972.2)

* Prior year has been re-presented to include lease liabilities in total net debt.

Company Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Notes	2020 €'m	2019 €'m
Operating activities			
Trading profit	28	168.8	152.4
<i>Adjustments for:</i>			
Depreciation	11	-	-
Change in working capital	28	(26.2)	(22.7)
Payments on non-trading items		-	(1.5)
Cash generated from operations		142.6	128.2
Finance income received		0.5	-
Net cash from operating activities		143.1	128.2
Financing activities			
Dividends paid	10	(143.1)	(128.3)
Issue of share capital	26	-	0.1
Net cash movement due to financing activities		(143.1)	(128.2)
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of the financial year		-	-
Cash and cash equivalents at end of the financial year	28	-	-

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

1. Statement of accounting policies

General information

Kerry Group plc is a public limited company incorporated in the Republic of Ireland. The registered number is 111471 and registered office address is Prince's Street, Tralee, Co. Kerry, V92 EH11, Ireland. The principal activities of the Company and its subsidiaries are described in the Business Reviews and note 35 'Group entities'.

Basis of preparation

The consolidated financial statements of Kerry Group plc have been prepared in accordance with International Financial Reporting Standards ('IFRS'), International Financial Reporting Interpretations Committee ('IFRIC') interpretations and those parts of the Companies Act, 2014 applicable to companies reporting under IFRS. The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows and the notes to the financial statements. The financial statements include the information in the remuneration report that is described as being an integral part of the financial statements. Both the Parent Company and Group financial statements have also been prepared in accordance with IFRS adopted by the European Union ('EU') which comprise standards and interpretations approved by the International Accounting Standards Board ('IASB'). The Group financial statements comply with Article 4 of the EU IAS Regulation. IFRS adopted by the EU differs in certain respects from IFRS issued by the IASB. References to IFRS hereafter refer to IFRS adopted by the EU.

The Parent Company's financial statements are prepared using accounting policies consistent with the accounting policies applied to the consolidated financial statements by the Group.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative financial instruments) and financial asset investments which are held at fair value. Assets classified as held for sale are stated at the lower of carrying value and fair value less costs to sell. The investments in associates and joint ventures are accounted for using the equity method.

The consolidated financial statements contained herein are presented in euro, which is the functional currency of the Parent Company, Kerry Group plc. The functional currencies of the Group's main subsidiaries are euro, US dollar and sterling.

In the 2020 consolidated financial statements, the Group has re-presented corresponding 2019 balances to align with current year presentation in note 22 'Analysis of financial instruments by category', note 23 'Financial instruments' and note 28 'Cash flow components' to reflect the inclusion of lease liabilities in the Group's definition of total net debt.

Certain income statement headings and other financial measures included in the consolidated financial statements are not defined by IFRS. The Group make this distinction to give a better understanding of the financial performance of the business.

The consolidated and company financial statements have been prepared on the going concern basis of accounting. The Directors have considered the Group's business activities and how it generates value, together with the main trends and factors likely to affect future development, business performance including liquidity and access to financing as outlined in note 23, and position of the Group including the impact of the current COVID-19 pandemic. Due to the uncertainty of the ongoing duration and impact of the pandemic on mobility restrictions in different countries around the world, additional stressed scenarios, reflecting different levels and timing of the recovery, have been considered. This analysis indicated that, notwithstanding the current global pandemic, it does not affect the Group's ability to continue as a going concern.

There are no material uncertainties that cast a significant doubt on the Group's ability to continue as a going concern over a period of at least 12 months.

Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries), all of which prepare financial statements up to 31 December. Accounting policies of subsidiaries are consistent with the policies adopted by the Group. Control is achieved where the Company has the power over the investee, has exposure or has rights to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

The results of subsidiaries acquired or disposed of during the financial year are included in the Consolidated Income Statement from the date the Company gains control until the date the Company ceases to control the subsidiary. All inter-group transactions and balances are eliminated on consolidation.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. On acquisition of the investment in associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying value of the investment.

1. Statement of accounting policies (continued)

Basis of consolidation (continued)

Associates (continued)

The Group's share of its associates' post-acquisition profits or losses is recognised in 'Share of associates and joint ventures (profit)/loss after taxation' within Trading Profit in the Consolidated Income Statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment, less any impairment in value. Where indicators of impairment arise, the carrying amount of the associate is tested for impairment by comparing its recoverable amount with its carrying amount.

Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated to the extent that they do not provide evidence of impairment. The accounting policies of associates are amended where necessary to ensure consistency of accounting treatment at Group level.

Joint ventures

Joint ventures are all entities over which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Investments in joint ventures are accounted for using the equity method of accounting and are initially recognised at cost. On acquisition of the investment in joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying value of the investment.

The Group's share of its joint ventures post-acquisition profits or losses is recognised in 'Share of associates and joint ventures (profit)/loss after taxation' within Trading Profit in the Consolidated Income Statement, and its share of post-acquisition movements in reserves is recognised in reserves until the date on which joint control ceases. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment, less any impairment in value. Where indicators of impairment arise, the carrying amount of the joint venture is tested for impairment by comparing its recoverable amount with its carrying amount.

Unrealised gains arising from transactions with joint ventures are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated to the extent that they do not provide evidence of impairment. The accounting policies of joint ventures are amended where necessary to ensure consistency of accounting treatment at Group level.

Revenue

Revenue represents the value of the consideration received or receivable, for taste and nutrition applications and consumer foods chilled food products, from third party customers. Revenue is recorded at invoice value, net of discounts, allowances, volume and promotional rebates and excludes VAT. Revenue is recognised when control of the products has transferred, which is usually upon shipment, or in line with terms agreed with individual customers.

Revenue is recorded when there is no unfulfilled obligation on the part of the Group. An estimate is made on the basis of historical sales returns and is recorded to allocate these returns to the same period as the original revenue is recorded. Rebates and discounts are provided for based on agreements or contracts with customers, agreed promotional arrangements and accumulated experience using the expected value method. Any unutilised accrual is released after assessment that the likelihood of such a claim being made is highly improbable.

The Group disaggregates revenue by End Use Market (EUM) and primary geographic market. An EUM is defined as the market in which the end consumer or customer of Kerry's product operates. The economic factors within the EUMs of Food, Beverage and Pharma which affect the nature, amount, timing and uncertainty of revenue and cash flows are similar.

Trading profit

Trading profit refers to the operating profit generated by the businesses before intangible asset amortisation and gains or losses generated from non-trading items. Trading profit represents operating profit before specific items that are not reflective of underlying trading performance and therefore hinder comparison of the trading performance of the Group's businesses, either year-on-year or with other businesses.

Segmental analysis

Operating segments are reported in a manner consistent with the internal management structure of the Group and the internal financial information provided to the Group's Chief Operating Decision Maker (the Executive Directors) who is responsible for making strategic decisions, allocating resources, monitoring and assessing the performance of each segment. Trading profit as reported internally by segment is the key measure utilised in assessing the performance of operating segments within the Group. Other Corporate activities, such as the cost of corporate stewardship and the cost of the KerryConnect programme, are reported along with the elimination of inter-group activities under the heading 'Group Eliminations and Unallocated'. Intangible asset amortisation, non-trading items, net finance costs and income taxes are managed on a centralised basis and therefore, these items are not allocated between operating segments and are not reported per segment in note 2.

The Group has determined it has two reportable segments: Taste & Nutrition and Consumer Foods. The Taste & Nutrition segment is the global leader in the development of taste and nutrition solutions for the food, beverage and pharmaceutical industries across Ireland, Europe, Americas and APMEA (Asia Pacific, Middle East and Africa). Our broad technology foundation, customer-centric business model, and industry leading integrated solutions capability make Kerry the co-creation partner of choice. The Consumer Foods segment is an industry-leading manufacturer of chilled food products primarily in Ireland and UK markets.

1. Statement of accounting policies (continued)

Property, plant and equipment

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises purchase price and other directly attributable costs. Freehold land is stated at cost and is not depreciated. Depreciation on the remaining property, plant and equipment is calculated by charging equal annual instalments to the Consolidated Income Statement at the following annual rates:

- Buildings	2% - 5%
- Plant, machinery and equipment	7% - 25%
- Motor vehicles	20%

The charge in respect of periodic depreciation is calculated after establishing an estimate of the asset's useful life and the expected residual value at the end of its life. Increasing/ (decreasing) an asset's expected life or its residual value would result in a (decreased)/increased depreciation charge to the Consolidated Income Statement as well as an increase/(decrease) in the carrying value of the asset.

The useful lives of Group assets are determined by management at the time the assets are acquired and reviewed annually for appropriateness. These lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. Historically, changes in useful lives or residual values have not resulted in material changes to the Group's depreciation charge.

Assets in the course of construction for production or administrative purposes are carried at cost less any recognised impairment loss. Cost includes professional fees and other directly attributable costs. Depreciation of these assets commences when the assets are ready for their intended use, on the same basis as other property assets.

Leasing

At the commencement date of the lease, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which consists of the initial measurement of the lease liability, any initial direct costs incurred by the Group in setting up/entering into the lease, an estimate of any costs to dismantle and remove the asset at the end of the lease and any payments made in advance of the lease commencement date (net of any incentive received).

The Group depreciates right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life or the end of the lease term. The carrying amounts of right-of-use assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised when the carrying value of an asset exceeds its recoverable amount.

The Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the applicable incremental borrowing rate. Lease payments included in the measurement of the lease liability comprises of fixed or variable payments (based on an index or rate), amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to the initial measurement, the liability will be reduced for payments made and increased for the interest applied and it is remeasured to reflect any reassessment or contract modifications. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset or in the Consolidated Income Statement if the right-of-use asset is already reduced to zero.

The Group has elected to record short-term leases of less than 12 months and leases of low-value assets as defined in IFRS 16 as an operating expense in the Consolidated Income Statement on a straight-line basis over the lease term.

The Group has also elected not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component further increasing the lease liability.

Assets classified as held for sale

Assets are classified as held for sale if their carrying value will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met if, at the financial year end, the sale is highly probable, the asset is available for immediate sale in its present condition, management is committed to the sale and the sale is expected to be completed within one year from the date of classification.

Assets classified as held for sale are measured at the lower of carrying value and fair value less costs to sell.

Intangible assets

Goodwill

Goodwill arises on business combinations and represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary entity at the date control is achieved.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous Irish/ UK GAAP amounts subject to impairment testing. Goodwill written off to reserves under Irish/UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

At the date control is achieved, goodwill is allocated for the purpose of impairment testing to groups of cash generating units (CGUs) provided they represent the lowest level at which management monitor goodwill for impairment purposes. Goodwill is not amortised but is reviewed for indications of impairment at least annually and is carried at cost less accumulated impairment losses, where identified. Impairment is recognised immediately in the Consolidated Income Statement and is not subsequently reversed. On disposal of a subsidiary, the attributable amount of goodwill (not previously written off to reserves) is included in the determination of the profit or loss on disposal.

1. Statement of accounting policies (continued)

Intangible assets (continued)

Brand related intangibles

Brand related intangibles acquired as part of a business combination are valued at their fair value at the date control is achieved. Intangible assets determined to have an indefinite useful life are not amortised and are tested for impairment at least annually. Indefinite life intangible assets are those for which there is no foreseeable limit to their expected useful life. In arriving at the conclusion that these brand related intangibles have an indefinite life, management considers the nature and type of the intangible asset, the absence of any legal or other limits on the assets' use, the fact the business and products have a track record of stability, the high barriers to market entry and the Group's commitment to continue to invest for the long-term to extend the period over which the intangible asset is expected to continue to provide economic benefits. The classification of intangible assets as indefinite is reviewed annually.

Finite life brand related intangible assets are amortised over the period of their expected useful lives, which predominantly range from 2 to 20 years, by charging equal annual instalments to the Consolidated Income Statement. The useful life used to amortise finite intangible assets relates to the future performance of the assets acquired and management's estimate of the period over which economic benefit will be derived from the asset. Historically, changes in useful lives have not resulted in material changes to the Group's amortisation charge.

Computer software

Computer software separately acquired, including computer software which is not an integral part of an item of computer hardware, is stated at cost less any accumulated amortisation and any accumulated impairment losses. Cost comprises purchase price and other directly attributable costs.

Costs relating to the development of computer software for internal use are capitalised once the recognition criteria outlined as follows are met:

- an asset can be separately identified;
- it is probable that the asset created will generate future economic benefits;
- the development cost of the asset can be measured reliably;
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Computer software is amortised over its expected useful life, which ranges from 3 to 7 years, by charging equal annual instalments to the Consolidated Income Statement. Amortisation commences when the assets are ready for use.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation. They are tested annually for impairment or when indications exist that the asset may be impaired. For the purpose of assessing impairment, these assets are allocated to groups of cash generating units (CGUs) using a reasonable and consistent basis.

An impairment loss is recognised immediately in the Consolidated Income Statement for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or its value in use. Value in use is determined as the discounted future cash flows of the CGU. The key assumptions during the financial year for the value in use calculations are discount rates, cash flows and growth rates.

When an impairment loss (other than on goodwill) subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, not exceeding its carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Impairment is reviewed by assessing the asset's value in use when compared to its carrying value.

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised when the carrying value of an asset exceeds its recoverable amount.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost includes raw materials, direct labour and all other expenditure incurred in the normal course of business in bringing the products to their present location and condition. Cost is calculated at the weighted average cost incurred in acquiring inventories. Net realisable value is the estimated selling price of inventory on hand less all further costs to completion and all costs expected to be incurred in distribution and selling. Write-downs of inventories are primarily recognised under 'Raw materials and consumables' in the Consolidated Income Statement.

Income taxes

Income taxes include both current and deferred taxes. Income taxes are charged or credited to the Consolidated Income Statement except when they relate to items charged or credited directly in other comprehensive income or shareholders' equity. In this instance the income taxes are also charged or credited to other comprehensive income or shareholders' equity.

The current tax charge is calculated as the amount payable based on taxable profit and the tax rates applying to those profits in the financial year together with adjustments relating to prior years. Deferred taxes are calculated using the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

1. Statement of accounting policies (continued)

Income taxes (continued)

The Group is subject to uncertainties, including tax audits, in any of the jurisdictions in which it operates. The Group accounts for uncertain tax positions in line with IFRIC 23 'Uncertainty over Income Tax Treatments'. The Group considers each uncertain tax treatment separately or together with one or more uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. If the Group concludes that it is not probable that a taxation authority will accept an uncertain tax treatment the Group reflects the effect of the uncertainty in determining the related taxable profit, tax bases, unused tax losses, unused tax credits or tax rate. The Group reflects the effect of uncertainty for each uncertain tax treatment using an expected value approach or a most likely approach depending on which method the Group expects to better predict the resolution of the uncertainty. The unit of account for recognition purposes is the income tax/deferred tax assets or liabilities and the Group does not provide separately for uncertain tax positions. When the final tax outcome for these items is different from amounts recorded, such differences will impact the income tax and deferred tax in the period in which such a determination is made, as well as the Group's cash position.

Deferred taxes are calculated based on the temporary differences that arise between the tax base of the asset or liability and its carrying value in the Consolidated Balance Sheet. Deferred taxes are recognised on all temporary differences in existence at the balance sheet date except for:

- temporary differences which arise from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction does not affect accounting or taxable profit or loss, or on the initial recognition of goodwill for which a tax deduction is not available; and
- temporary differences which arise on investments in subsidiaries where the timing of the reversal is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

The recognition of a deferred tax asset is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future, against which the reversal of temporary differences can be deducted. Deferred tax assets are reviewed at each reporting date.

Current income tax assets and current income tax liabilities are offset where there is a legally enforceable right to offset the recognised amounts and the Group intends to settle on a net basis. Deferred income tax assets and deferred income tax liabilities are offset where there is a legally enforceable right to offset the recognised amounts, the deferred tax assets and deferred tax liabilities relate to taxes levied by the same taxation authority and the Group intends to settle on a net basis.

Retirement benefits obligation

Payments to defined contribution plans are recognised in the Consolidated Income Statement as they fall due and any contributions outstanding at the financial year end are included as an accrual in the Consolidated Balance Sheet.

Actuarial valuations for accounting purposes are carried out at each balance sheet date in relation to defined benefit plans, using the projected unit credit method, to determine the schemes' liabilities and the related cost of providing benefits. Scheme assets are accounted for at fair value using bid prices.

Current service cost and net interest cost are recognised in the Consolidated Income Statement as they arise. Past service cost, which can be positive or negative, is recognised immediately in the Consolidated Income Statement. Gains or losses on the curtailment or settlement of a plan are recognised in the Consolidated Income Statement when the curtailment or settlement occurs. Re-measurement on retirement benefits obligation, comprising actuarial gains and losses and the return on plan assets (excluding amounts included in net interest cost) are recognised in full in the period in which they occur in the Consolidated Statement of Comprehensive Income.

The defined benefit liability recognised in the Consolidated Balance Sheet represents the present value of the defined benefit obligation less the fair value of any plan assets. Defined benefit assets are also recognised in the Consolidated Balance Sheet but are limited to the present value of available refunds from, and reductions in future contributions to, the plan.

Provisions

Provisions can be distinguished from other types of liability by considering the events that give rise to the obligation and the degree of uncertainty as to the amount or timing of the liability. These are recognised in the Consolidated Balance Sheet when:

- the Group has a present obligation (legal or constructive) as a result of a past event;
- it is probable that the Group will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the amount required to settle the present obligation at the balance sheet date, after taking account of the risks and uncertainties surrounding the obligation.

The outcome depends on future events which are by their nature uncertain. In assessing the likely outcome, management bases its assessment on historical experience and other factors that are believed to be reasonable in the circumstances. Provisions are disclosed in note 24 to the consolidated financial statements.

Non-trading items

Certain items, by virtue of their nature and amount, are disclosed separately in order for the user to obtain a proper understanding of the financial information. These items relate to events or circumstances that are not related to normal trading activities and are labelled collectively as 'non-trading items'.

Non-trading items include gains or losses on the disposal of businesses, disposal of assets (non-current assets and assets classified as held for sale), costs in preparation of disposal of assets, material restructuring costs and material transaction, integration and restructuring costs associated with acquisitions. Non-trading items are disclosed in note 5 to the consolidated financial statements.

1. Statement of accounting policies (continued)

Research and development expenditure

Expenditure on research activities is recognised as an expense in the financial year it is incurred.

Development expenditure is assessed and capitalised as an internally generated intangible asset only if it meets all of the following criteria:

- it is technically feasible to complete the asset for use or sale;
- it is intended to complete the asset for use or sale;
- the Group has the ability to use or sell the intangible asset;
- it is probable that the asset created will generate future economic benefits;
- adequate resources are available to complete the asset for sale or use; and
- the development cost of the asset can be measured reliably.

Capitalised development costs are amortised over their expected economic lives. Where no internally generated intangible asset can be recognised, product development expenditure is recognised as an expense in the financial year it is incurred. Accordingly, the Group has not capitalised product development expenditure to date.

Grants

Grants of a capital nature are accounted for as deferred income in the Consolidated Balance Sheet and are released to the Consolidated Income Statement at the same rates as the related assets are depreciated. Grants of a revenue nature are credited to the Consolidated Income Statement to offset the matching expenditure.

Dividends

Dividends are accounted for when they are approved, through the retained earnings reserve. Dividends proposed do not meet the definition of a liability until such time as they have been approved. Dividends are disclosed in note 10 to the consolidated financial statements.

Share-based payments

The Group has granted share-based payments to Executive Directors and senior executives under a long-term incentive plan and to Executive Directors under a short-term incentive plan.

The equity-settled share-based awards granted under these plans are measured at the fair value of the equity instrument at the date of grant. The cost of the award is charged to the Consolidated Income Statement over the vesting period of the awards based on the probable number of awards that will eventually vest, with a corresponding credit to shareholders' equity.

For the purposes of the long-term incentive plan, the fair value of the award is measured using the Monte Carlo Pricing Model. For the short-term incentive plan, the fair value of the expense equates directly to the cash value of the portion of the short-term incentive plan that will be settled by way of shares/share options.

At the balance sheet date, the estimate of the level of vesting is reviewed and any adjustment necessary is recognised in the Consolidated Income Statement and in the Statement of Changes in Equity. Share-based payments are disclosed in note 27 to the consolidated financial statements.

Foreign currency

Foreign currency transactions are translated into functional currency at the rate of exchange ruling at the date of the transaction. Exchange differences arising from either the retranslation of the resulting monetary assets or liabilities at the exchange rate at the balance sheet date or from the settlement of the balance at a different rate are recognised in the Consolidated Income Statement when they occur.

On consolidation, the income statements of foreign currency subsidiaries are translated into euro at the average exchange rate. If this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, a weighted average rate is used. The balance sheets of such subsidiaries are translated at the rate of exchange at the balance sheet date. Resulting exchange differences arising on the translation of foreign currency subsidiaries are taken directly to a separate component of shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of foreign subsidiaries are treated as assets and liabilities of the foreign subsidiaries and are translated at the closing rate.

On disposal of a foreign currency subsidiary, the cumulative translation difference for that foreign subsidiary is recycled to the Consolidated Income Statement as part of the profit or loss on disposal.

Borrowing costs

Borrowing costs incurred for qualifying assets, which take a substantial period of time to construct, are added to the cost of the asset during the period of time required to complete and prepare the asset for its intended use. Other borrowing costs are expensed to the Consolidated Income Statement in the period in which they are incurred.

Business combinations

The acquisition method of accounting is used for the acquisition of subsidiaries. The cost of the acquisition is measured at the aggregate fair value of the consideration given. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 'Business Combinations' are recognised at their fair value at the date the Group assumes control of the acquiree. Acquisition related costs are recognised in the Consolidated Income Statement as incurred. If the business combination is achieved in stages, the acquisition date fair value of the Group's previously held investment in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Certain assets and liabilities are not recognised at their fair value at the date control was achieved as they are accounted for using other applicable IFRSs. These include deferred tax assets/liabilities and also any assets related to employee benefit arrangements.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the valuation of the fair value of assets and liabilities acquired is still in progress. Those provisional amounts are adjusted during the measurement period of one year from the date control is achieved when additional information is obtained about facts and circumstances which would have affected the amounts recognised as of that date.

1. Statement of accounting policies (continued)

Business combinations (continued)

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement measured at fair value at the date control is achieved. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs.

Any fair value adjustments in relation to acquisitions completed prior to 1 January 2010 have been accounted for under IFRS 3 'Business Combinations (2004)'.

Investments in subsidiaries

Investments in subsidiaries held by the Parent Company are carried at cost less accumulated impairment losses.

Investments in associates and joint ventures

Investments in associates and joint ventures held by the Group are accounted for using the equity method, after initially being recognised at cost in the Consolidated Balance Sheet.

Financial instruments

Financial assets and financial liabilities are recognised on the Consolidated Balance Sheet when the Group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value plus transaction costs, except for those classified as fair value through profit or loss, which are initially measured at fair value.

All financial assets are recognised and derecognised on a trade date basis, where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe of the market concerned.

Financial assets and liabilities are offset and presented on a net basis in the Consolidated Balance Sheet, only if the Group holds an enforceable legal right of set off for such amounts and there is an intention to settle on a net basis or to realise an asset and settle the liability simultaneously. In all other instances they are presented gross in the Consolidated Balance Sheet.

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Debt instruments:

Subsequent measurement of debt instruments depend on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Any gain or loss arising on derecognition is recognised directly in the Consolidated Income Statement. Impairment losses are presented in the Consolidated Income Statement.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. The Group have no debt instruments measured at FVOCI.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss (FVPL). In addition, assets that are irrevocably designated as FVPL at origination to eliminate or significantly reduce an accounting mismatch are also measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the Consolidated Income Statement.

Equity instruments:

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the Consolidated Income Statement following the derecognition of the investment. Dividends from such investments continue to be recognised in the Consolidated Income Statement when the Group's right to receive payments is established.

Changes in the fair value of financial assets measured at FVPL (Rabbi Trust assets) are recognised in the Consolidated Income Statement. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Trade and other receivables:

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Cash and cash equivalents:

Cash and cash equivalents carried at amortised cost consists of cash at bank and in hand, bank overdrafts held by the Group and short-term bank deposits with a maturity of three months or less from the date of placement. Cash at bank and in hand and short-term bank deposits are shown under current assets on the Consolidated Balance Sheet. Bank overdrafts are shown within 'Borrowings and overdrafts' in current liabilities on the Consolidated Balance Sheet but are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows. The carrying amount of these assets and liabilities approximates to their fair value.

1. Statement of accounting policies (continued)

Financial instruments (continued)

Financial liabilities measured at amortised cost

Other non-derivative financial liabilities consist primarily of trade and other payables and borrowings. Trade and other payables are stated at amortised cost, which approximates to their fair value given the short-term nature of these liabilities. Trade and other payables are non-interest bearing.

Debt instruments are initially recorded at fair value, net of transaction costs. Subsequently they are reported at amortised cost, except for hedged debt. To the extent that debt instruments are hedged under qualifying fair value hedges, the carrying value of the debt instrument is adjusted for changes in the fair value of the hedged risk, with changes arising recognised in the Consolidated Income Statement. The fair value of the hedged item is primarily determined using the discounted cash flow basis.

Financial liabilities at fair value through profit or loss (FVPL)

Financial liabilities at FVPL arise when the financial liabilities are either derivative liabilities held for trading or they are designated upon initial recognition as FVPL.

The Group classifies as held for trading certain derivatives that are not designated and effective as a hedging instrument. The Group does not have any other financial liabilities classified as held for trading.

Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9 'Financial Instruments', which requires expected lifetime losses to be recognised from initial recognition of the receivables. Further detail is provided in note 18.

Derecognition of financial liabilities

The Group derecognises financial liabilities only when the Group's obligations are discharged, cancelled or expired.

Derivative financial instruments and hedge accounting

Derivatives are carried at fair value. The Group's activities expose it to risks of changes in foreign currency exchange rates and interest rates in relation to international trading and long-term debt. The Group uses foreign exchange forward contracts, interest rate swaps and forward rate agreements to hedge these exposures. The Group does not use derivative financial instruments for speculative purposes. When cross currency interest rate swaps are used to hedge interest rates and foreign exchange rates, the change in the foreign currency basis spreads element of the contract that relates to the hedged item is recognised within other reserves under the cost of hedging reserve.

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

Fair value of financial instrument derivatives

The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available a discounted cash flow analysis is used based on the applicable yield curve adjusted for counterparty risk for the duration and currency of the instrument, which are observable:

- foreign exchange forward contracts are measured using quoted forward exchange rates to match the maturities of these contracts; and
- interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves adjusted for counterparty credit risk.

Cash flow hedges

Where derivatives, including forward foreign exchange contracts and floating to fixed interest rate swaps or cross currency swaps are used, they are primarily treated as cash flow hedges. The gain or loss relating to the effective portion of the interest rate swaps and cross currency interest rate swaps is recognised in other comprehensive income and is reclassified to profit or loss in the period when the hedged item is recognised through profit or loss. All effective amounts are directly offset against movements in the underlying hedged item. Any ineffective portion of the hedge is recognised in the Consolidated Income Statement. The gain or loss relating to the effective portion of forward foreign exchange contracts is recognised in other comprehensive income and is reclassified to profit or loss in the period the hedged item is recognised through profit or loss. Any ineffective portion of the hedge is recognised in the Consolidated Income Statement. When the hedged firm commitment or forecasted transaction occurs and results in the recognition of an asset or liability, the amounts previously recognised in the hedge reserve, within other comprehensive income are reclassified through profit or loss in the periods when the hedged item is impacting the Consolidated Income Statement.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred cost of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset, such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred cost of hedging that were reported in equity are immediately reclassified to profit or loss.

Cash flow hedge accounting is applied to foreign exchange forward contracts which are expected to offset the changes in fair value of expected future cash flows. In order to achieve and maintain cash flow hedge accounting, it is necessary for management to determine, at inception and on an ongoing basis, whether a forecast transaction is highly probable.

Fair value hedges

Where fixed to floating interest rate swaps are used, they are treated as fair value hedges when the qualifying conditions are met. Changes in the fair value of derivatives that are designated as fair value hedges are recognised directly in the Consolidated Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1. Statement of accounting policies (continued)

Financial instruments (continued)

Fair value hedges (continued)

Hedge accounting is derecognised when the hedging relationship ceases to exist. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised over the remaining maturity of the hedged item through the Consolidated Income Statement from that date.

Trading derivatives

Certain derivatives which comply with the Group's financial risk management policies are not accounted for using hedge accounting. This arises where the derivatives; (a) provide a hedge against foreign currency borrowings without having to apply hedge accounting; or (b) where management have decided not to apply hedge accounting. In these cases the instrument is reported independently at fair value with any changes recognised in the Consolidated Income Statement. In all other instances, cash flow or fair value hedge accounting is applied.

Critical accounting estimates and judgements

Preparation of the consolidated financial statements requires management to make certain estimations, assumptions and judgements that affect the reported profits, assets and liabilities.

Estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based or as a result of new information or more experience. Such changes are recognised in the period in which the estimate is revised.

In particular, information about significant areas of estimation that have the most significant effect on the amounts recognised in the consolidated financial statements are described below and in the respective notes to the consolidated financial statements.

We have considered the impact of the COVID-19 pandemic on our business and the key impacts up to 31 December 2020 include:

- All plants remained open except for a limited number of those that were mandated to close temporarily in specific jurisdictions. While there were changes to shift patterns and ways of working to ensure the safety of employees through additional segregation and cleaning routines, there were no indicators of impairment to property, plant and equipment.
- The Group considered the impact of the global pandemic on its impairment risk around the carrying value of the goodwill and indefinite life intangible assets. The long-term outlook for the Group remains positive and supports our valuations and given there was significant headroom, no impairment was identified.
- While supporting our customers during this crisis through the carrying of increased inventory and receivable balances, the Group has assessed the risks and to date, does not believe there are additional risks around the recovery of these assets.
- The impact of the mobility restrictions globally has impacted the Group's revenue and profitability, most significantly in the foodservice part of the Group's business. Third party revenue in our Taste & Nutrition segment from the foodservice business was €1,390.5m (2019: €1,767.6m).

The impact of COVID-19 on the critical accounting estimates and judgements as outlined below has also been assessed and is not considered material in the context of the consolidated financial statements.

Impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired or whether a reversal of an impairment of intangible assets (other than on goodwill) should be recorded requires comparison of the value in use for the relevant groups of cash generating units (CGUs) to the net assets attributable to those CGUs. The value in use calculation is based on an estimate of future cash flows expected to arise from the CGUs and these are discounted to net present value using an appropriate discount rate. The tests are dependent on management's estimates, in particular in relation to the forecasting of future cash flows, the discount rates applied to those cash flows, the expected long-term growth rate of the applicable businesses and terminal values. Such estimates are subject to change as a result of changing economic conditions. As forecasting future cash flows is dependent upon the Group successfully leveraging its base of intangible assets over the long-term, estimates are required in relation to future cash flows which will support the asset value. These estimates may depend upon the outcome of future events and may need to be revised as circumstances change. The impact of COVID-19 on the Group was considered and has been reflected in the cash flow forecasts employed in the value in use calculations. Details of the assumptions used and key sources of estimation involved are outlined in note 12 to these consolidated financial statements.

The Group continues to monitor its assessment of the economic environment particularly due to the pace and extent of recovery in some markets as a result of COVID-19. The long-term outlook for our businesses currently remains positive, supports our CGU valuations and no impairment was identified as a result of the impairment testing review carried out. There is significant headroom in the recoverable amount of the related CGUs as compared to their carrying value.

Business combinations

When acquiring a business, the Group is required to bring acquired assets and liabilities on to the Consolidated Balance Sheet at their fair value, the determination of which requires a significant degree of estimation.

Acquisitions may also result in intangible benefits being brought into the Group, some of which qualify for recognition as intangible assets while other such benefits do not meet the recognition requirements of IFRS and therefore form part of goodwill. Estimation is required in the assessment and valuation of these intangible assets. For intangible assets acquired, the Group bases valuations on expected future cash flows taking into consideration the impact of COVID-19 where applicable. This method employs a discounted cash flow analysis using the present value of the estimated after-tax cash flows expected to be generated from the purchased intangible asset using risk adjusted discount rates, revenue forecasts and estimated customer attrition as appropriate. The period of expected cash flows is based on the expected useful life of the intangible asset acquired.

1. Statement of accounting policies (continued)

Critical accounting estimates and judgements

(continued)

Business combinations (continued)

Depending on the nature of the assets and liabilities acquired, determined provisional fair values may possibly be adjusted within the measurement period as allowed by IFRS 3 'Business Combinations'.

Business combinations are disclosed in note 29 to the consolidated financial statements.

Income tax charge and income/deferred tax assets and liabilities

Significant judgement and a high degree of estimation is required in determining the income tax charge as the Group operates in many jurisdictions and the tax treatment of many items is uncertain with tax legislation being open to different interpretation. Furthermore, the Group can also be subject to uncertainties, including tax audits in any of the jurisdictions in which it operates, which by their nature, are often complex and can require several years to conclude. The Group considers these uncertain tax positions in the recognition of its income tax/deferred tax assets or liabilities. In line with its accounting policy, the Group bases its assessment on the probability of a tax authority accepting its general treatment having regard to all information available on the tax matter and when it is not probable reflects the uncertainty in income tax/deferred tax assets or liabilities. When applying its accounting policy at the year end the Group generally considered each uncertain tax treatment separately and reflected the effect of the uncertainty in the income tax/deferred tax assets or liabilities using an expected value approach as this better predicts the resolution of the uncertainty. Such estimates are determined based on management judgement, interpretation of the relevant tax laws, correspondence with the relevant tax authorities and external tax advisors and past practices of the tax authorities. Where the final outcome of these tax matters is different from the amounts that were recorded, such differences will impact the income tax and deferred tax charge in the period in which such determination is made.

Income taxes and deferred tax assets and liabilities are disclosed in notes 7 and 17 to the consolidated financial statements, respectively.

1. Statement of accounting policies (continued)

New standards and interpretations

Certain new and revised accounting standards and new International Financial Reporting Interpretations Committee ('IFRIC') interpretations have been issued. The Group intends to adopt the relevant new and revised standards when they become effective and the Group's assessment of the impact of these standards and interpretations is set out below.

<i>The following Standards and Interpretations are effective for the Group in 2020 but do not have a material effect on the results or financial position of the Group:</i>		<i>Effective Date</i>
- IFRS 3 (Amendments)	Business Combinations	1 January 2020
- IFRS 9, IAS 39 & IFRS 7 (Amendments)	Interest Rate Benchmark Reform	1 January 2020
- IAS 1 (Amendments)	Presentation of Financial Statements	1 January 2020
- IAS 8 (Amendments)	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
- The Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
<i>The following Standards and Interpretations are not yet effective for the Group and are not expected to have a material effect on the results or financial position of the Group:</i>		<i>Effective Date</i>
- IFRS 16 (Amendment)	Leases	1 June 2020
- IFRS 7, IFRS 4 & IFRS 16 (Amendments)	Interest Rate Benchmark Reform - Phase 2	1 January 2021
- IAS 1 (Amendments)	Presentation of Financial Statements	1 January 2022
- IFRS 17	Insurance Contracts	1 January 2023

2. Analysis of results

The Group has determined it has two reportable segments: Taste & Nutrition and Consumer Foods. The Taste & Nutrition segment is the global leader in taste and nutrition, serving the food, beverage and pharmaceutical industries across Ireland, Europe, Americas and APMEA. Our broad technology foundation, customer-centric business model, and industry-leading integrated solutions capability make Kerry the co-creation partner of choice. The Consumer Foods segment is a leader in our consumer foods categories in the chilled cabinet primarily in Ireland and in the UK.

	Taste & Nutrition 2020 €'m	Consumer Foods 2020 €'m	Group Eliminations and Unallocated 2020 €'m	Total 2020 €'m	Taste & Nutrition 2019 €'m	Consumer Foods 2019 €'m	Group Eliminations and Unallocated 2019 €'m	Total 2019 €'m
External revenue	5,678.4	1,275.0	-	6,953.4	5,939.1	1,302.2	-	7,241.3
Inter-segment revenue	74.8	3.6	(78.4)	-	78.5	4.4	(82.9)	-
Revenue	5,753.2	1,278.6	(78.4)	6,953.4	6,017.6	1,306.6	(82.9)	7,241.3
Trading profit	814.2	99.2	(116.2)	797.2	918.5	98.9	(114.7)	902.7
Intangible asset amortisation				(70.1)				(64.3)
Non-trading items				(19.4)				(110.9)
Operating profit				707.7				727.5
Finance income				0.2				0.3
Finance costs				(72.6)				(81.9)
Profit before taxation				635.3				645.9
Income taxes				(81.2)				(79.4)
Profit after taxation attributable to owners of the parent				554.1				566.5
Segment assets and liabilities								
Segment assets	6,370.1	877.2	2,195.8	9,443.1	6,268.5	925.7	2,310.1	9,504.3
Segment liabilities	(1,295.0)	(332.9)	(3,159.7)	(4,787.6)	(1,565.7)	(311.8)	(3,064.6)	(4,942.1)
Net assets	5,075.1	544.3	(963.9)	4,655.5	4,702.8	613.9	(754.5)	4,562.2
Other segmental information								
Property, plant and equipment additions	225.0	20.7	-	245.7	247.2	32.7	0.7	280.6
Depreciation (net)	178.5	21.7	0.5	200.7	164.6	22.7	4.1	191.4
Intangible asset additions	0.9	1.0	50.2	52.1	1.3	2.0	51.9	55.2
Intangible asset amortisation	23.7	6.4	40.0	70.1	23.0	6.8	34.5	64.3

2. Analysis of results (continued)

Revenue analysis

Disaggregation of revenue from external customers is analysed by End Use Market (EUM), which is the primary market in which Kerry's products are consumed and primary geographic market. An EUM is defined as the market in which the end consumer or customer of Kerry's product operates. The economic factors within the EUMs of Food, Beverage and Pharma and within the primary geographic markets which affect the nature, amount, timing and uncertainty of revenue and cash flows are similar.

Analysis by EUM

	Taste & Nutrition 2020 €'m	Consumer Foods 2020 €'m	Total 2020 €'m	Taste & Nutrition 2019 €'m	Consumer Foods 2019 €'m	Total 2019 €'m
Food	3,974.6	1,275.0	5,249.6	4,161.5	1,302.2	5,463.7
Beverage	1,407.1	-	1,407.1	1,507.6	-	1,507.6
Pharma	296.7	-	296.7	270.0	-	270.0
External revenue	5,678.4	1,275.0	6,953.4	5,939.1	1,302.2	7,241.3

Analysis by primary geographic market

Disaggregation of revenue from external customers is analysed by geographical split:

	Taste & Nutrition 2020 €'m	Consumer Foods 2020 €'m	Total 2020 €'m	Taste & Nutrition 2019 €'m	Consumer Foods 2019 €'m	Total 2019 €'m
Republic of Ireland	171.1	262.2	433.3	184.9	252.5	437.4
Rest of Europe	1,204.0	1,012.8	2,216.8	1,271.5	1,049.7	2,321.2
Americas	3,085.4	-	3,085.4	3,197.8	-	3,197.8
APMEA	1,217.9	-	1,217.9	1,284.9	-	1,284.9
External revenue	5,678.4	1,275.0	6,953.4	5,939.1	1,302.2	7,241.3

Information about geographical areas

	Europe 2020 €'m	Americas 2020 €'m	APMEA 2020 €'m	Total 2020 €'m	Europe 2019 €'m	Americas 2019 €'m	APMEA 2019 €'m	Total 2019 €'m
Segment assets by location	4,986.5	3,362.6	1,094.0	9,443.1	4,858.4	3,502.3	1,143.6	9,504.3
Property, plant and equipment additions	61.1	130.2	54.4	245.7	87.9	114.7	78.0	280.6
Intangible asset additions	51.6	0.5	-	52.1	54.3	0.9	-	55.2

Kerry Group plc is domiciled in the Republic of Ireland and the revenues from external customers in the Republic of Ireland were **€433.3m** (2019: €437.4m). The non-current assets located in the Republic of Ireland are **€903.1m** (2019: €930.3m).

Revenues from external customers include **€1,420.6m** (2019: €1,527.9m) in the UK and **€2,509.8m** (2019: €2,597.5m) in the USA. The non-current assets in the UK are **€692.4m** (2019: €737.2m) and in the USA are **€2,035.6m** (2019: €2,142.5m).

There are no material dependencies or concentrations on individual customers which would warrant disclosure under IFRS 8 'Operating Segments'. The accounting policies of the reportable segments are the same as the Group's accounting policies as outlined in the Statement of Accounting Policies. Under IFRS 15 'Revenue from Contracts with Customers' revenue is primarily recognised at a point in time. Revenue recorded over time during the year was not material to the Group.

3. Operating profit

(i) Analysis of costs by nature

	Notes	Continuing Operations 2020 €'m	Continuing Operations 2019 €'m
Revenue		6,953.4	7,241.3
<i>Less operating costs:</i>			
Raw materials and consumables		3,699.8	3,897.7
Other general overheads		895.6	948.0
Staff costs	4	1,356.9	1,330.9
Depreciation:			
- property, plant and equipment	11	169.4	158.6
- right-of-use assets	11	33.8	35.2
Capital grants amortisation	20	(2.5)	(2.4)
Loss allowances on trade receivables	18	9.6	6.5
Foreign exchange gains		(2.2)	(1.0)
Change in inventories of finished goods		(2.6)	(34.3)
Share of joint ventures profit after taxation during the financial year	14	(1.6)	(0.6)
Trading profit		797.2	902.7
Intangible asset amortisation	12	70.1	64.3
Non-trading items	5	19.4	110.9
Operating profit		707.7	727.5
<i>And is stated after charging:</i>			
Research and development costs		281.9	291.4

(ii) Auditors' remuneration

	PwC Ireland 2020 €'m	PwC Other 2020 €'m	PwC Worldwide 2020 €'m	PwC Ireland 2019 €'m	PwC Other 2019 €'m	PwC Worldwide 2019 €'m
<i>Statutory disclosure:</i>						
Group audit	1.5	1.7	3.2	1.5	1.7	3.2
Other assurance services	0.1	-	0.1	0.1	-	0.1
Total assurance services	1.6	1.7	3.3	1.6	1.7	3.3
Tax advisory services	-	-	-	-	-	-
Other non-audit services	-	-	-	-	-	-
Total non-audit services	-	-	-	-	-	-
Total auditors' remuneration	1.6	1.7	3.3	1.6	1.7	3.3
Assurance services			100%			100%
Non-audit services			-			-
Total			100%			100%

Group audit consists of fees payable for the consolidated and statutory audits of the Group and its subsidiaries. Included in Group audit are total fees of **€4,720** (2019: €4,720) which are due to the Group's auditor in respect of the Parent Company. Reimbursement of auditors' expenses amounted to **€0.1m** (2019: €0.2m).

4. Total staff numbers and costs

The average number of people employed by the Group was:

	Taste & Nutrition 2020 Number	Consumer Foods 2020 Number	Total 2020 Number	Taste & Nutrition 2019 Number	Consumer Foods 2019 Number	Total 2019 Number
Europe	5,291	5,888	11,179	5,312	6,557	11,869
Americas	9,961	-	9,961	9,349	-	9,349
APMEA	4,879	-	4,879	4,872	-	4,872
	20,131	5,888	26,019	19,533	6,557	26,090

The aggregate payroll costs of employees (including Executive Directors) was:

	Taste & Nutrition 2020 €'m	Consumer Foods 2020 €'m	Total 2020 €'m	Taste & Nutrition 2019 €'m	Consumer Foods 2019 €'m	Total 2019 €'m
Europe	347.1	226.1	573.2	347.0	243.2	590.2
Americas	621.0	-	621.0	576.7	-	576.7
APMEA	162.7	-	162.7	164.0	-	164.0
	1,130.8	226.1	1,356.9	1,087.7	243.2	1,330.9

Social welfare costs of **€144.7m** (2019: €126.5m) and share-based payment expense of **€12.5m** (2019: €14.4m) are included in payroll costs. Pension costs included in the payroll costs are disclosed in note 25.

5. Non-trading items

	Notes	2020 €'m	2019 €'m
Taste & Nutrition acquisition related and other costs	(i)	(17.5)	(80.7)
Consumer Foods Realignment Programme	(ii)	-	(26.7)
Loss on disposal of businesses and assets	(iii)	(1.9)	(3.5)
		(19.4)	(110.9)
Tax on above		3.9	19.2
Non-trading items (net of tax)		(15.5)	(91.7)

5. Non-trading items (continued)

(i) Taste & Nutrition acquisition related and other costs

Acquisition integration and restructuring costs of **€13.1m** (2019: €80.7m) primarily related to costs of integrating recent acquisitions into the Group's operations. These costs reflect the relocation of resources, the restructuring of operations in order to integrate the acquired businesses into the existing Kerry operating model and external costs associated with deal preparation, integration planning and due diligence. The Group has commenced a programme to evolve and restructure our global business services model to better enable the business and support further growth, costs incurred to date are **€4.4m** (2019: €nil).

A tax credit of **€3.5m** (2019: €14.9m) arose due to tax deductions available on acquisition integration and other costs.

(ii) Consumer Foods Realignment Programme

During 2019, the Consumer Foods business completed a programme to simplify its business model in terms of footprint and resources in response to the challenging marketplace. The charge relating to this in 2019 was €26.7m, which reflects redundancies, relocation of resources and the streamlining of operations. The associated tax credit was €4.5m.

(iii) Loss on disposal of businesses and assets

During the year, the Group disposed of property, plant and equipment in North America, Europe and APMEA for a consideration of **€2.4m** resulting in a loss of **€1.9m** for the year ended 31 December 2020. In 2019, the Group disposed of property, plant and equipment primarily in the UK, US and Australia for a consideration of €32.8m resulting in a loss of €3.5m. Please see note 28 for a reconciliation of the loss and cash impact on disposal of businesses and assets.

A tax credit of **€0.4m** (2019: a tax charge of €0.2m) arose on the disposal of assets and businesses.

There were no impairments of assets held for sale recorded in the financial year.

6. Finance income and costs

	Note	2020 €'m	2019 €'m
Finance income:			
Interest income on deposits		0.2	0.3
Finance costs:			
Interest payable		(73.5)	(84.0)
Interest rate derivative		0.9	2.9
		(72.6)	(81.1)
Net interest cost on retirement benefits obligation	25	-	(0.8)
Finance costs		(72.6)	(81.9)

7. Income taxes

	Notes	2020 €'m	2019 €'m
Recognition in the Consolidated Income Statement (before credit on non-trading items)			
Current tax expense in the financial year		78.4	86.3
Adjustments in respect of prior years		1.6	(0.2)
		80.0	86.1
Deferred tax in the financial year		5.1	12.5
Income tax expense (before credit on non-trading items)		85.1	98.6
On non-trading items:			
Current tax		(1.8)	(6.1)
Deferred tax		(2.1)	(13.1)
	5	(3.9)	(19.2)

Recognition in the Consolidated Income Statement (after credit on non-trading items)			
Current tax expense in the financial year		76.6	80.2
Adjustments in respect of prior years		1.6	(0.2)
		78.2	80.0
Deferred tax in the financial year	17	3.0	(0.6)
Income tax expense (after credit on non-trading items)		81.2	79.4

The tax on the Group's profit before taxation differs from the amount that would arise applying the standard corporation tax rate in Ireland as follows:

	2020 €'m	2019 €'m
Profit before taxation	635.3	645.9
Taxed at Irish Standard Rate of Tax (12.5%)	79.4	80.7
Adjustments to current tax and deferred tax in respect of prior years	(0.1)	(1.3)
Net effect of differing tax rates	2.0	3.6
Changes in standard rates of taxes	3.9	2.3
Income not subject to tax	(1.6)	(2.2)
Utilisation of unprovided deferred tax assets	-	(1.0)
Other adjusting items	(2.4)	(2.7)
Income tax expense	81.2	79.4

An increase in the Group's applicable tax rate of 1% would reduce profit after taxation by **€6.3m** (2019: €6.4m). Factors that may affect the Group's future tax charge include the effects of restructuring, acquisitions and disposals, changes in tax legislation and rates and the use of brought forward losses.

8. Profit attributable to Kerry Group plc

In accordance with section 304(2) of the Companies Act, 2014, the Company is availing of the exemption from presenting its individual income statement to the Annual General Meeting and from filing it with the Registrar of Companies. The Company's profit after taxation for the financial year is **€174.8m** (2019: €140.3m).

9. Earnings per A ordinary share

	EPS cent	2020 €'m	EPS cent	2019 €'m
Basic earnings per share				
Profit after taxation attributable to owners of the parent	313.0	554.1	320.4	566.5
Diluted earnings per share				
Profit after taxation attributable to owners of the parent	312.5	554.1	319.9	566.5
Number of Shares	Note	2020 m's		2019 m's
Basic weighted average number of shares		177.0		176.8
Impact of share options outstanding		0.3		0.3
Diluted weighted average number of shares		177.3		177.1
Actual number of shares in issue as at 31 December	26	176.7		176.5

10. Dividends

	2020 €'m	2019 €'m
Group and Company:		
Amounts recognised as distributions to equity shareholders in the financial year		
Final 2019 dividend of 55.10 cent per A ordinary share paid 15 May 2020		
(Final 2018 dividend of 49.20 cent per A ordinary share paid 10 May 2019)	97.3	86.7
Interim 2020 dividend of 25.90 cent per A ordinary share paid 13 November 2020		
(Interim 2019 dividend of 23.50 cent per A ordinary share paid 15 November 2019)	45.8	41.6
	143.1	128.3

Since the financial year end the Board has proposed a final 2020 dividend of **60.60 cent** per A ordinary share which amounts to €107.1m. The payment date for the final dividend will be 14 May 2021 to shareholders registered on the record date as at 16 April 2021. The consolidated financial statements do not reflect this dividend.

11. Property, plant and equipment

	Notes	2020 €'m	2019 €'m
Group:			
Property, plant and equipment	(i)	1,916.2	1,963.4
Right-of-use assets	(ii)	74.4	99.5
		1,990.6	2,062.9

11. Property, plant and equipment (continued)**(i) Property, plant and equipment analysis**

	Notes	Land and Buildings €'m	Plant, Machinery and Equipment €'m	Construction in Progress €'m	Motor Vehicles €'m	Total €'m
Group:						
Cost						
At 1 January 2019		1,150.4	1,999.7	286.0	14.6	3,450.7
Businesses acquired		63.9	50.0	0.7	0.1	114.7
Additions		25.6	69.2	142.1	1.8	238.7
Transfer from construction in progress		65.8	140.9	(206.7)	-	-
Disposals		(26.3)	(133.2)	-	(2.1)	(161.6)
Transfer to held for sale		5.9	0.3	-	-	6.2
Exchange translation adjustment		23.8	43.8	6.0	0.4	74.0
At 31 December 2019		1,309.1	2,170.7	228.1	14.8	3,722.7
Businesses acquired	29	16.8	3.9	0.4	0.1	21.2
Additions		10.1	35.2	181.3	1.0	227.6
Purchase adjustments		(2.7)	(3.8)	-	-	(6.5)
Transfer from construction in progress		42.4	110.1	(152.5)	-	-
Disposals	5	(3.8)	(16.7)	-	(0.9)	(21.4)
Exchange translation adjustment		(73.2)	(122.1)	(18.9)	(1.2)	(215.4)
At 31 December 2020		1,298.7	2,177.3	238.4	13.8	3,728.2
Accumulated depreciation and impairment						
At 1 January 2019		412.9	1,258.9	-	11.9	1,683.7
Charge during the financial year	3	36.7	120.8	-	1.1	158.6
Impairments	3	0.2	-	-	-	0.2
Disposals		(15.7)	(107.8)	-	(1.8)	(125.3)
Transfer to held for sale		3.9	0.3	-	-	4.2
Exchange translation adjustment		8.8	28.9	-	0.2	37.9
At 31 December 2019		446.8	1,301.1	-	11.4	1,759.3
Charge during the financial year	3	38.5	129.8	-	1.1	169.4
Disposals	5	(2.9)	(13.4)	-	(0.8)	(17.1)
Exchange translation adjustment		(23.8)	(75.2)	-	(0.6)	(99.6)
At 31 December 2020		458.6	1,342.3	-	11.1	1,812.0
Carrying value						
At 31 December 2019		862.3	869.6	228.1	3.4	1,963.4
At 31 December 2020		840.1	835.0	238.4	2.7	1,916.2

Included in the impairments above is **€nil** (2019: €0.2m) charged to non-trading items.

11. Property, plant and equipment (continued)**(i) Property, plant and equipment analysis** (continued)

	Land and Buildings Total €'m
Company:	
Cost	
At 1 January 2019	4.7
At 31 December 2019 and 2020	4.7
Accumulated depreciation	
At 1 January 2019	4.4
Charge during the financial year 2019 and 2020	-
At 31 December 2019 and 2020	4.4
Carrying value	
At 31 December 2019 and 2020	0.3

11. Property, plant and equipment (continued)**(ii) Right-of-use assets analysis**

	Notes	Land and Buildings €'m	Plant, Machinery and Equipment €'m	Motor Vehicles €'m	Total €'m
Group:					
Cost					
At 31 December 2018		-	-	-	-
Adjustment on initial application of IFRS 16 'Leases' at 1 January 2019		71.3	11.8	12.1	95.2
Businesses acquired		0.3	0.1	-	0.4
Additions		27.3	8.6	6.0	41.9
Terminations		(4.4)	(0.8)	(1.2)	(6.4)
Exchange translation adjustment		-	-	-	-
At 31 December 2019		94.5	19.7	16.9	131.1
Businesses acquired	29	-	-	-	-
Additions		11.8	5.0	1.3	18.1
Terminations		(8.9)	(3.6)	(2.3)	(14.8)
Exchange translation adjustment		(6.8)	(1.4)	(0.9)	(9.1)
At 31 December 2020		90.6	19.7	15.0	125.3
Accumulated depreciation					
At 31 December 2018		-	-	-	-
Charge during the financial year	3	23.2	5.6	6.4	35.2
Terminations		(2.0)	(0.8)	(0.8)	(3.6)
Exchange translation adjustment		-	-	-	-
At 31 December 2019		21.2	4.8	5.6	31.6
Charge during the financial year	3	22.5	5.9	5.4	33.8
Terminations		(5.8)	(2.8)	(2.3)	(10.9)
Exchange translation adjustment		(2.5)	(0.6)	(0.5)	(3.6)
At 31 December 2020		35.4	7.3	8.2	50.9
Carrying value					
At 31 December 2019		73.3	14.9	11.3	99.5
At 31 December 2020		55.2	12.4	6.8	74.4

The right-of-use assets consist of:

- land and buildings for warehouse space, offices and manufacturing facilities. The lease terms vary and range from 2 to 93 years for buildings and range from 2 to 90 years for land;
- machinery, equipment, tools, furniture and other equipment when combined are insignificant to the total leased assets portfolio and have an average remaining lease term of 2 years; and
- motor vehicles for management and sales functions and trucks for distribution in specific businesses. The lease terms for motor vehicles range from 2 to 5 years with an average remaining term of 1 year.

At 1 January 2019, on transition to IFRS 16, the Group recognised right-of-use assets of €95.2m and lease liabilities of €107.3m. The Group recorded the difference of €12.1m and the related deferred tax asset of €2.7m in retained earnings.

11. Property, plant and equipment (continued)

(iii) Lease disclosures

(iii.i) Amounts recognised in the Consolidated Income Statement:	2020 €'m	2019 €'m
Depreciation charged during the financial year	33.8	35.2
Expenses relating to short-term leases	2.1	1.9
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	0.2	0.2
Interest on lease liabilities*:		
- on transition to IFRS 16	-	4.6
- charged during the financial year	5.9	1.7

* included in interest payable

(iii.ii) Amounts recognised in the Consolidated Statement of Cash Flows:	2020 €'m	2019 €'m
Total cash outflow for leases during the year*	45.2	43.9

* includes interest expense and principal repayments of lease liabilities and short-term and low-value lease expenses

(iii.iii) Lease liabilities	2020 €'m	2019 €'m
At beginning of the financial year	109.4	107.3
Additions	16.2	39.5
Terminations	(3.8)	(3.7)
Remeasurements	1.9	2.4
Payments	(37.0)	(35.5)
Exchange translation adjustment	(5.2)	(0.6)
At end of the financial year	81.5	109.4

Analysed as:	2020 €'m	2019 €'m
Current liabilities	27.0	34.9
Non-current liabilities	54.5	74.5
At end of the financial year	81.5	109.4

(iii.iv) At the balance sheet date the Group had commitments under non-cancellable leases which fall due as follows:	Discounted 2020 €'m	Undiscounted 2020 €'m	Discounted 2019 €'m	Undiscounted 2019 €'m
Within 1 year	27.0	31.4	34.9	40.9
Between 1 and 2 years	20.6	22.6	24.4	27.2
Between 2 and 5 years	26.6	29.0	32.8	33.0
After 5 years	7.3	9.1	17.3	18.6
	81.5	92.1	109.4	119.7

12. Intangible assets

	Notes	Goodwill €'m	Brand Related Intangibles €'m	Computer Software €'m	Total €'m
Cost					
At 1 January 2019		2,377.4	1,880.1	261.6	4,519.1
Businesses acquired		200.7	237.0	-	437.7
Additions		-	-	55.2	55.2
Purchase adjustment		5.1	5.4	-	10.5
Disposals		-	-	(0.5)	(0.5)
Exchange translation adjustment		41.0	21.2	0.7	62.9
At 31 December 2019		2,624.2	2,143.7	317.0	5,084.9
Businesses acquired	29	149.2	124.1	-	273.3
Additions		-	-	52.1	52.1
Purchase adjustment		20.2	(0.4)	-	19.8
Exchange translation adjustment		(127.0)	(78.8)	(0.7)	(206.5)
At 31 December 2020		2,666.6	2,188.6	368.4	5,223.6
Accumulated amortisation and impairment					
At 1 January 2019		18.7	235.9	168.9	423.5
Charge during the financial year	3	-	37.8	26.5	64.3
Disposals		-	-	(0.5)	(0.5)
Exchange translation adjustment		1.9	5.5	0.5	7.9
At 31 December 2019		20.6	279.2	195.4	495.2
Charge during the financial year	3	-	41.7	28.4	70.1
Exchange translation adjustment		(4.0)	(24.4)	(0.4)	(28.8)
At 31 December 2020		16.6	296.5	223.4	536.5
Carrying value					
At 31 December 2019		2,603.6	1,864.5	121.6	4,589.7
At 31 December 2020		2,650.0	1,892.1	145.0	4,687.1

Allocation of the purchase price in a business combination affects the results of the Group as finite life intangible assets are amortised, whereas indefinite life intangible assets, including goodwill, are not amortised. This could result in differing amortisation charges based on the allocation to finite life and indefinite life intangible assets.

Included in the cost of brand related intangibles are intangibles of **€1,262.4m** (2019: €1,307.2m) which have indefinite lives.

Approximately **€17.5m** (2019: €16.5m) of computer software additions during the year were internally generated, included in this are payroll costs of **€13.1m** (2019: €11.2m). The Group has not capitalised product development expenditure in 2020 (2019: €nil).

The Group has no separate individual intangible asset that is material, as all intangibles acquired are integrated and developed within the existing business.

12. Intangible assets (continued)

Impairment testing

Goodwill and indefinite life intangibles are subject to impairment testing on an annual basis, or more frequently if there are indicators of impairment. These assets are allocated to groups of cash generating units (CGUs). The recoverable amount of each of the four CGUs is determined on value in use calculations. Intangible assets acquired in a business combination are allocated to CGUs that are expected to benefit from the business acquisition, rather than where the assets are owned.

Cash flow forecasts employed for the value in use calculations are for a five year period approved by management and a terminal value which is applied to the year five cash flows. The terminal value reflects the discounted value of the cash flows beyond year five which is based on the weighted average long-term growth rates for each CGU. Management also considered the impact of COVID-19 on the Group which has been reflected in the cash flow forecasts used in the value in use calculations.

No impairment was recognised in 2020 or 2019 as a result of the impairment testing which identified significant headroom in the recoverable amount of the related CGUs as compared to their carrying value. In 2020, there was no specific impairment charge (2019: €nil) in relation to goodwill recorded in non-trading items in the Consolidated Income Statement due to the classification of a business as held for sale.

A summary of the allocation of the carrying value of goodwill and indefinite life intangible assets by CGU, is as follows:

	Goodwill 2020 €'m	Goodwill 2019 €'m	Indefinite Life Intangibles 2020 €'m	Indefinite Life Intangibles 2019 €'m
Taste & Nutrition				
Europe	496.5	507.4	77.0	102.3
Americas	1,507.3	1,492.1	1,088.1	1,106.0
APMEA	243.5	182.7	51.4	51.6
Consumer Foods				
Europe	402.7	421.4	45.9	47.3
	2,650.0	2,603.6	1,262.4	1,307.2

Key assumptions

Forecasts are generally derived from a combination of internal and external factors based on historical experience and take account of expected growth in the relevant region. The key assumptions for calculating value in use calculations are those relating to the discount rate, growth rate and cash flows. The table below outlines the weighted average discount rates and weighted average long-term growth rates used in the terminal value for each CGU:

	Discount Rates 2020	Discount Rates 2019	Growth Rates 2020	Growth Rates 2019
Taste & Nutrition				
Europe	6.7%	6.5%	1.4%	1.9%
Americas	7.1%	6.9%	1.1%	2.4%
APMEA	9.5%	8.8%	3.5%	4.9%
Consumer Foods				
Europe	6.6%	6.4%	1.5%	1.9%

Management estimate discount rates using pre-tax rates consistent with the Group's weighted average cost of capital and the risks specific to the CGUs. A higher discount rate is applied to higher risk markets, while a lower rate is applied to more stable markets.

Long-term growth rates are based on external market data, are broadly in line with long-term industry growth rates and are conservative in nature. Generally, lower growth rates are used in mature markets while higher growth rates are used in emerging markets.

12. Intangible assets (continued)

Impairment testing (continued)

The assumptions used by management in estimating cash flows for each CGU include future profitability, capital expenditure requirements and working capital investment. The cash flows included in the value in use calculations are generally determined based on historical performance, management's past experience, management's expectation of future trends affecting the industry and other developments and initiatives in the business. Management also considered the impact of COVID-19 on the Group which has been reflected in the cash flow forecasts employed in the value in use calculations. Capital expenditure requirements to maintain the CGUs performance and profitability are based on the Group's strategic plans, excluding future development activity, and broadly assume that historic investment patterns will be maintained. Working capital requirements are forecast to move in line with activity.

Sensitivity analysis

Sensitivity analysis has been performed across the four CGUs. If the discount rate was 1% higher than management's estimates, there would have been no requirement for the Group to recognise any impairment charge in 2020 or 2019. Further, a 5% increase would not have resulted in an impairment charge in 2020 or 2019 as there is headroom in the discounted cash flows. If the estimated growth rate was 1% lower than management's estimates, there would have been no requirement for the Group to recognise any impairment charge in 2020 or 2019. If the estimated cash flows were 5% lower than management's estimates, again there would have been no requirement for the Group to recognise any impairment charge in 2020 or 2019. Management believes that no reasonable change, in normal circumstances, in any of the above key assumptions would cause the carrying value of any CGU to exceed its recoverable amount.

13. Financial asset investments

	FVOCI Investments €'m	Other Investments €'m	Total €'m
At 1 January 2019	5.3	30.0	35.3
Additions	-	3.0	3.0
Disposals	-	(1.5)	(1.5)
Fair value movements	(1.0)	5.4	4.4
Exchange translation adjustment	-	0.5	0.5
At 31 December 2019	4.3	37.4	41.7
Additions	-	2.0	2.0
Disposals	(3.0)	(2.8)	(5.8)
Fair value movements	(1.3)	3.6	2.3
Exchange translation adjustment	-	(3.2)	(3.2)
At 31 December 2020	-	37.0	37.0

Investments held at fair value through other comprehensive income

These represent investments in equity securities. These investments have no fixed maturity or coupon rate. A fair value assessment was performed at 30 June 2020 which resulted in a decrease to the carrying value of these assets of €1.3m (2019: €1.0m) through other comprehensive income. In October 2020, the Group disposed of these equity securities for a consideration of €5.3m.

Other investments

The Group maintains a Rabbi Trust in respect of a non-qualified deferred compensation plan in the USA. The assets of the trust primarily consist of equities, bonds and cash which are restricted for use. These assets are fair valued through profit or loss at each financial year end using quoted market prices. The corresponding liability is recognised within other non-current liabilities (note 21).

14. Investments in joint ventures

	Note	2020 €'m	2019 €'m
At 1 January		16.2	15.6
Share of profit after taxation during the financial year	3	1.6	0.6
At 31 December		17.8	16.2

The Group has a call option to acquire the remaining 45% interest in Proparent B.V. under an agreed valuation methodology in 2022. The Group is satisfied that the fair value attached to this call option is nominal.

15. Investments in subsidiaries

	2020 €'m	2019 €'m
Company:		
At 1 January and 31 December	714.4	714.4

16. Inventories

	2020 €'m	2019 €'m
Raw materials and consumables	409.3	441.8
Finished goods and goods for resale	517.8	515.2
Expense inventories	48.5	36.3
At 31 December	975.6	993.3

Write-downs of inventories recognised as an expense approximates to **1.4%** (2019: 1.2%) of raw materials and consumables in the Consolidated Income Statement.

17. Deferred tax assets and liabilities

The following is an analysis of the movement in the major categories of deferred tax liabilities/(assets) recognised by the Group:

	Note	Property, Plant and Equipment €'m	Intangible Assets €'m	Tax Credits and NOLs €'m	Retirement Benefits Obligation €'m	Short-Term Temporary Differences and Other Differences €'m	Total €'m
At 31 December 2018		82.3	268.9	(21.5)	(9.2)	(33.5)	287.0
Adjustment on initial application of IFRS 16 'Leases'		(2.7)	-	-	-	-	(2.7)
Adjusted balances at 1 January 2019		79.6	268.9	(21.5)	(9.2)	(33.5)	284.3
Consolidated Income Statement movement	7	(4.2)	2.1	2.5	3.8	(4.8)	(0.6)
Recognised in OCI during the financial year		-	-	-	2.0	1.4	3.4
Related to businesses acquired/(disposed)		3.1	7.1	(0.7)	-	(1.1)	8.4
Exchange translation adjustment		2.1	3.5	(0.3)	0.1	(0.9)	4.5
At 31 December 2019		80.6	281.6	(20.0)	(3.3)	(38.9)	300.0
Consolidated Income Statement movement	7	(2.5)	3.8	2.0	3.6	(3.9)	3.0
Recognised in OCI during the financial year		-	-	-	(11.8)	2.0	(9.8)
Related to businesses acquired/(disposed)		-	23.0	-	-	-	23.0
Exchange translation adjustment		(5.7)	(19.7)	1.6	0.1	3.9	(19.8)
At 31 December 2020		72.4	288.7	(16.4)	(11.4)	(36.9)	296.4

The short-term temporary differences and other temporary differences recognised in other comprehensive income comprise fair value movements on cash flow hedges of **€2.0m** (2019: €1.4m). In the above table, NOLs refers to Net Operating Losses.

The following is an analysis of the deferred tax balances (after offset) for balance sheet purposes:

	2020 €'m	2019 €'m
Deferred tax assets	(33.8)	(38.9)
Deferred tax liabilities	330.2	338.9
	296.4	300.0

The total deductible temporary differences for which deferred tax assets have not been recognised is **€21.8m** (2019: €27.4m). The Group does not have any unrecognised losses which have an expiry date.

Deferred tax has not been recognised in respect of withholding taxes and other taxes that would be payable on the unremitted earnings of foreign subsidiaries, as the Group is in a position to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The deferred tax liabilities which have not been recognised in respect of these temporary differences are not material as the Group can rely on the availability of participation exemptions and tax credits in the context of the Group's investments in subsidiaries.

An increase of 1% in the tax rates at which deferred tax is calculated would increase the net deferred tax balance of the Group by **€15.0m** (2019: €14.5m).

18. Trade and other receivables

	Group 2020 €'m	Group 2019 €'m	Company 2020 €'m	Company 2019 €'m
Trade receivables	993.2	1,002.4	-	-
Loss allowances	(37.1)	(35.7)	-	-
Trade receivables due within 1 year	956.1	966.7	-	-
Other receivables and prepayments	45.8	56.8	3.9	-
Amounts due from subsidiaries	-	-	165.0	135.8
VAT receivable	39.4	40.4	-	-
Receivables due after 1 year	0.7	2.4	-	-
	1,042.0	1,066.3	168.9	135.8

All receivable balances are due within 1 year except for €0.7m (2019: €2.4m) outlined above. All receivable balances are within terms with the exception of certain trade receivables which are past due and are detailed below.

The following table shows an analysis of trade receivables split between past due and within terms accounts, where past due is deemed to be when an account exceeds the agreed terms of trade:

	2020 €'m	2019 €'m
Within terms	829.4	823.9
Past due not more than 1 month	92.8	100.4
Past due more than 1 month but less than 2 months	22.5	31.1
Past due more than 2 months but less than 3 months	9.6	9.2
Past due more than 3 months	1.8	2.1
Trade receivables (net)	956.1	966.7

The following table summarises the movement in loss allowances:

	Note	2020 €'m	2019 €'m
At beginning of financial year		35.7	31.5
Increase in loss allowance charged to the Consolidated Income Statement	3	9.6	6.5
Utilised during the financial year		(5.5)	(3.1)
Exchange translation adjustment		(2.7)	0.8
At end of the financial year		37.1	35.7

Trade and other receivables are stated at amortised cost less loss allowances. The fair value of these receivables approximates their carrying value as these are short-term in nature; hence, the maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales and the corresponding historical credit loss experience. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors, including the GDP of the countries in which the Group sells its goods and services, that affect the ability of customers to settle receivables.

Before accepting any new customer, the Group uses a credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. These credit limits are reviewed regularly throughout the financial year. The Group does not typically require collateral in respect of trade receivables.

There is no significant concentration of credit risk or transaction currency risk with respect to trade receivables, as the Group has a large number of internationally dispersed customers. Further disclosures on currency risk are provided in note 23 to the financial statements.

19. Trade and other payables

	Group 2020 €'m	Group 2019 €'m	Company 2020 €'m	Company 2019 €'m
Trade payables	1,293.9	1,376.9	6.4	15.7
Other payables and accruals	186.5	202.0	-	-
Lease liabilities	27.0	34.9	-	-
Deferred payments on acquisition of businesses	17.1	13.0	4.0	5.8
PAYE	11.7	9.1	-	-
Social security costs	7.1	7.1	-	-
	1,543.3	1,643.0	10.4	21.5

Trade and other payables are stated at amortised cost, which approximates to fair value given the short-term nature of these liabilities. The above balances are all due within 1 year.

20. Deferred income

	Note	Group 2020 €'m	Group 2019 €'m	Company 2020 €'m	Company 2019 €'m
Capital grants					
At beginning of the financial year		23.1	22.4	0.1	0.1
Grants received during the financial year		0.3	3.2	-	-
Amortised during the financial year	3	(2.5)	(2.4)	-	-
Disposal		-	(0.2)	-	-
Exchange translation adjustment		0.9	0.1	-	-
At end of the financial year		21.8	23.1	0.1	0.1
Analysed as:					
Current liabilities		2.4	2.2	-	-
Non-current liabilities		19.4	20.9	0.1	0.1
		21.8	23.1	0.1	0.1

There are no material unfulfilled conditions or other contingencies attaching to any government grants received.

21. Other non-current liabilities

	Group 2020 €'m	Group 2019 €'m	Company 2020 €'m	Company 2019 €'m
Other payables and accruals	85.3	84.7	-	-
Lease liabilities	54.5	74.5	-	-
Deferred payments on acquisition of businesses	5.1	8.7	-	-
	144.9	167.9	-	-

All of the above balances are due within 2 to 5 years except for €7.3m (2019: €17.3m) which is not due until after 5 years.

22. Analysis of financial instruments by category

The following table outlines the financial assets and liabilities held by the Group at the balance sheet date:

	Notes	Financial Assets/ (Liabilities) at Amortised Cost 2020 €'m	Assets/ (Liabilities) at Fair Value through Profit or Loss 2020 €'m	Derivatives Designated as Hedging Instruments 2020 €'m	Assets/ (Liabilities) at FVOCI 2020 €'m	Total 2020 €'m
Group:						
Financial asset investments	13	-	37.0	-	-	37.0
Forward foreign exchange contracts	23 (i.i)	-	-	14.2	-	14.2
Interest rate swaps	23 (ii.ii)	-	-	81.9	-	81.9
Trade and other receivables	18	1,042.0	-	-	-	1,042.0
Cash at bank and in hand	23 (iii.i)	563.1	-	-	-	563.1
Total financial assets		1,605.1	37.0	96.1	-	1,738.2
Current assets		1,605.1	-	14.1	-	1,619.2
Non-current assets		-	37.0	82.0	-	119.0
		1,605.1	37.0	96.1	-	1,738.2
Borrowings and overdrafts	23 (iii.i)	(2,474.9)	(33.7)	-	-	(2,508.6)
Forward foreign exchange contracts	23 (i.i)	-	-	(10.5)	-	(10.5)
Interest rate swaps	23 (ii.ii)	-	-	-	-	-
Trade and other payables	19/21	(1,688.2)	-	-	-	(1,688.2)
Total financial liabilities		(4,163.1)	(33.7)	(10.5)	-	(4,207.3)
Current liabilities		(1,546.1)	-	(10.0)	-	(1,556.1)
Non-current liabilities		(2,617.0)	(33.7)	(0.5)	-	(2,651.2)
		(4,163.1)	(33.7)	(10.5)	-	(4,207.3)
Total net financial (liabilities)/assets		(2,558.0)	3.3	85.6	-	(2,469.1)

Included in the above table are the following components of total net debt:

Analysis of total net debt by category

Bank overdrafts	(2.8)	-	-	-	(2.8)
Bank loans	-	-	-	-	-
Senior notes	(2,472.1)	(33.7)	-	-	(2,505.8)
Borrowings and overdrafts	(2,474.9)	(33.7)	-	-	(2,508.6)
Interest rate swaps	-	-	81.9	-	81.9
Cash at bank and in hand	563.1	-	-	-	563.1
Net debt - pre lease liabilities	(1,911.8)	(33.7)	81.9	-	(1,863.6)
Lease liabilities	(81.5)	-	-	-	(81.5)
Total net debt	(1,993.3)	(33.7)	81.9	-	(1,945.1)

22. Analysis of financial instruments by category (continued)

All Group borrowings and overdrafts and interest rate swaps are guaranteed by Kerry Group plc. No assets of the Group have been pledged to secure these items.

Part of the Group's debt portfolio includes US\$750m of senior notes issued in 2013, maturing in 2023 (the 2023 senior notes) and US\$200m (2019: US\$408m) of senior notes issued in 2010 (private placement notes). At the time of issuance, US\$250m of the 2023 senior notes and US\$500m of the 2010 US\$600m senior notes were swapped, using cross currency swaps, to euro. US\$192m and US\$208m of the private placement notes were repaid in January 2017 and January 2020 respectively and the related swaps matured at those dates. In addition, the Group holds €750m of senior notes issued in 2015 (the 2025 senior notes), of which €175m were swapped, using cross currency swaps, to US dollar. No interest rate derivatives were entered into for the September 2019 €750m senior notes issuance (the 2029 senior notes) or for the €200m of senior notes issued in 2020 as a tap onto the 2025 senior notes.

The adjustment to senior notes classified under liabilities at fair value through profit or loss of €33.7m (2019: €24.9m) represents the part adjustment to the carrying value of debt from applying fair value hedge accounting for interest rate risk. This amount is primarily offset by the fair value adjustment on the corresponding hedge items being the underlying cross currency interest rate swaps.

	Notes	Financial Assets/ (Liabilities) at Amortised Cost 2019 €'m	Assets/ (Liabilities) at Fair Value through Profit or Loss 2019 €'m	Derivatives Designated as Hedging Instruments 2019 €'m	Assets/ (Liabilities) at FVOCI 2019 €'m	Total 2019 €'m
Group:						
Financial asset investments	13	-	37.4	-	4.3	41.7
Forward foreign exchange contracts	23 (i.i)	-	-	12.0	-	12.0
Interest rate swaps	23 (ii.ii)	-	-	128.4	-	128.4
Trade and other receivables	18	1,066.3	-	-	-	1,066.3
Cash at bank and in hand	23 (iii.i)	554.9	-	-	-	554.9
Total financial assets		1,621.2	37.4	140.4	4.3	1,803.3
Current assets		1,621.2	-	57.7	-	1,678.9
Non-current assets		-	37.4	82.7	4.3	124.4
		1,621.2	37.4	140.4	4.3	1,803.3
Borrowings and overdrafts	23 (iii.i)	(2,521.2)	(24.9)	-	-	(2,546.1)
Forward foreign exchange contracts	23 (i.i)	-	-	(12.1)	-	(12.1)
Interest rate swaps	23 (ii.ii)	-	-	-	-	-
Trade and other payables	19/21	(1,810.9)	-	-	-	(1,810.9)
Total financial liabilities		(4,332.1)	(24.9)	(12.1)	-	(4,369.1)
Current liabilities		(1,833.5)	(0.3)	(12.1)	-	(1,845.9)
Non-current liabilities		(2,498.6)	(24.6)	-	-	(2,523.2)
		(4,332.1)	(24.9)	(12.1)	-	(4,369.1)
Total net financial (liabilities)/assets		(2,710.9)	12.5	128.3	4.3	(2,565.8)

22. Analysis of financial instruments by category (continued)

Included in the previous table are the following components of total net debt:

	Financial (Liabilities) at Amortised Cost 2019 €'m	Assets/ (Liabilities) at Fair Value through Profit or Loss 2019 €'m	Derivatives Designated as Hedging Instruments 2019 €'m	Assets/ (Liabilities) at FVOCI 2019 €'m	Total 2019 €'m
Analysis of total net debt by category					
Bank overdrafts	(5.2)	-	-	-	(5.2)
Bank loans	(1.2)	-	-	-	(1.2)
Senior notes	(2,514.8)	(24.9)	-	-	(2,539.7)
Borrowings and overdrafts	(2,521.2)	(24.9)	-	-	(2,546.1)
Interest rate swaps	-	-	128.4	-	128.4
Cash at bank and in hand	554.9	-	-	-	554.9
Net debt - pre lease liabilities	(1,966.3)	(24.9)	128.4	-	(1,862.8)
Lease liabilities*	(109.4)	-	-	-	(109.4)
Total net debt*	(2,075.7)	(24.9)	128.4	-	(1,972.2)

* Prior year has been re-presented to include lease liabilities in total net debt.

The following table outlines the financial assets and liabilities held by the Company at the balance sheet date:

	Notes	2020 €'m	2019 €'m
Company:			
<i>Financial assets at amortised cost</i>			
Cash at bank and in hand		-	-
Trade and other receivables	18	168.9	135.8
Total financial assets - all current		168.9	135.8
<i>Financial liabilities at amortised cost</i>			
Borrowings and overdrafts		-	-
Trade and other payables	19	(10.4)	(21.5)
Total financial liabilities - all current		(10.4)	(21.5)
Total net financial assets		158.5	114.3

23. Financial instruments

Capital management

The financing structure of the Group is managed in order to optimise shareholder value while allowing the Group to take advantage of opportunities that might arise to grow the business. The Group targets acquisition and investment opportunities that are value enhancing and the Group's policy is to fund these transactions from cash flow or borrowings while maintaining its investment grade debt status.

The capital structure of the Group consists of debt related financial liabilities, cash and cash equivalents, deferred payments on acquisitions of businesses and equity attributable to owners of the parent, comprising issued capital, reserves and retained earnings are disclosed in the Consolidated Statement of Changes in Equity, as represented in the table below:

	Notes	2020 €'m	2019 €'m
Issued capital and reserves attributable to owners of the parent		4,655.5	4,562.2
Net debt - pre lease liabilities	22	1,863.6	1,862.8
Lease liabilities*	19/21	81.5	109.4
Deferred payments on acquisition of businesses	19/21	22.2	21.7
		6,622.8	6,556.1

* Prior year has been re-presented to include lease liabilities in total net debt.

In June 2019, the Group completed a five year €1.1bn revolving credit facility which matures in June 2024 and replaced the existing facility that was due to mature in April 2022. The facility contains two extension options exercisable on the first and second anniversaries of the facility. During 2020 the Group exercised the first of these extension options which extended maturity until June 2025. The second option, if exercised, will extend the maturity date of the facility to June 2026. In keeping with the Group's commitment to ESG, the facility incorporates a price adjustment mechanism which is linked to the Group meeting or exceeding its carbon, water and waste efficiency metrics.

In April 2020, the Group completed a €200m tap issuance onto our 2025 Senior Notes. These notes are rated by S&P and Moody's and are listed on Euronext Dublin. The proceeds of the issuance were retained for general corporate purposes. In September 2019, the Group issued €750m senior notes carrying an annual coupon of 0.625%. The proceeds of the issuance were used primarily to repay existing debt and for general corporate purposes.

All senior notes issued by the Group are rated by S&P and Moody's.

Capital is managed by setting net debt to earnings before finance income and costs, income taxes, depreciation (net), intangible asset amortisation and non-trading items (EBITDA) targets while allowing flexibility to accommodate significant acquisition opportunities. Any expected variation from these targets should be reversible within 18 to 24 months; otherwise consideration would be given to issuing additional equity in the Group.

Net debt is subject to seasonal fluctuations that can be up to 25% above year end debt levels.

The private placement notes issued in 2010 have \$200m outstanding and this series of notes carry financial covenants calculated in accordance with the Note Purchase Agreement. The principal financial covenants are:

- the ratio of Net debt to EBITDA of a maximum of 3.5 times; and
- EBITDA to Net interest charge of a minimum of 4.0 times.

At 31 December these ratios were as follows:

	2020 Times	2019 Times
Net debt: EBITDA*	1.9	1.8
EBITDA: Net interest*	13.8	13.2

* Calculated in accordance with lenders' facility agreements which take account of adjustments as outlined on page 233.

No other financial arrangements carry financial covenants.

23. Financial instruments (continued)

Financial risk management objectives

The Group has a clearly defined Financial Risk Management Programme, which is approved by the Board of Directors and is subject to regular monitoring by the Finance Committee and Group Internal Audit. The Group operates a centralised treasury function, which manages the principal financial risks of the Group and Company.

The principal objectives of the Group's Financial Risk Management Programme are:

- to manage the Group's exposure to foreign exchange rate risk;
- to manage the Group's exposure to interest rate risk;
- to ensure that the Group has sufficient credit facilities available to manage liquidity risk; and
- to ensure that counterparty credit risk is monitored and managed.

Residual exposures not managed commercially are hedged using approved financial instruments. The use of financial derivatives is governed by the Group's policies and procedures. The Group does not engage in speculative trading.

The principal objectives of the Group's Financial Risk Management Programme are further discussed across the following categories:

- (i) Foreign exchange rate risk management - key foreign exchange exposure of the Group and the disclosures on forward foreign exchange contracts.
- (ii) Interest rate risk management - key interest rate exposures of the Group and the disclosures on interest rate derivatives.
- (iii) Liquidity risk management - key banking facilities available to the Group and the maturity profile of the Group's debt.
- (iv) Credit risk management - details in relation to the management of credit risk within the Group.
- (v) Price risk management - key price risk exposures of the Group.
- (vi) Fair value of financial instruments - disclosures in relation to the fair value of financial instruments.
- (vii) Offsetting financial instruments - disclosures in relation to the potential offsetting values in financial instruments.

(i) Foreign exchange rate risk management

The Group is exposed to transactional foreign currency risk on trading activities conducted by subsidiaries in currencies other than their functional currency. Group policy is to manage foreign currency exposures commercially and through netting of exposures wherever possible. Any residual exposures arising on foreign exchange transactions are hedged in accordance with Group policy using approved financial instruments, which consist primarily of spot and forward exchange contracts and currency swaps.

As at 31 December, the Group had an exposure to a US dollar asset of **€29.4m** (2019: €26.4m liability) and a sterling asset of **€8.4m** (2019: €11.7m). Based on these net positions, as at 31 December 2020, a weakening of 5% of the US dollar and sterling against all other key operational currencies, and holding all other items constant, would have impacted the profit after taxation of the Group for the financial year by a decrease of €1.6m (2019: increase of €0.7m).

The Group's gain or loss on the retranslation of the net assets of foreign currency subsidiaries is taken directly to the translation reserve. As at 31 December 2020 a 5% strengthening of the euro against the US dollar and sterling, holding all other items constant, would have resulted in an additional translation reserve loss of **€21.6m** (2019: €21.7m) and **€22.9m** (2019: €23.0m), respectively.

(i.i) Forward foreign exchange contracts

The Group's activities expose it to risks of changes in foreign currency exchange rates in relation to international trading, primarily sales in US dollar and sterling out of the Eurozone and sales and purchases in US dollar in APMEA. The Group uses forward foreign exchange contracts to hedge these exposures. All such exposures are highly probable. Derivative financial instruments are held in the Consolidated Balance Sheet at their fair value.

The following table details the portfolio of forward foreign exchange contracts* at the balance sheet date:

	2020 €'m Asset	2020 €'m Liability	2020 €'m Total	2019 €'m Asset	2019 €'m Liability	2019 €'m Total
Designated in a hedging relationship:						
- current ¹	14.1	(10.0)	4.1	12.0	(12.1)	(0.1)
- non-current ²	0.1	(0.5)	(0.4)	-	-	-
Forward foreign exchange contracts	14.2	(10.5)	3.7	12.0	(12.1)	(0.1)

* Location of line item in the Consolidated Balance Sheet

¹ Other current financial instruments

² Other non-current financial instruments

23. Financial instruments (continued)

Financial risk management objectives (continued)

(i) Foreign exchange rate risk management (continued)

(i.i) Forward foreign exchange contracts (continued)

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than twelve months and as a current asset or liability if the maturity of the hedged item is less than twelve months.

The Group adopted the hedge accounting requirements of IFRS 9 'Financial Instruments'. The Group enters into hedge relationships when there is an economic relationship between the underlying highly probable forecasted transactions (hedged item) and the forward foreign exchange contracts (hedged instruments). As the critical terms match for the prospective assessment of effectiveness, a qualitative assessment is performed. The Group has established a 1:1 hedge ratio as the underlying risks in the forward foreign currency exchange contract are identical to the hedged risk components. Hedge effectiveness is determined at the origination of the hedging relationship. In instances where changes occur to the hedged item which result in the critical terms no longer matching, the Group uses the hypothetical derivative method to assess effectiveness.

The Group does not hold any forward foreign exchange contracts classified as fair value hedges.

The following table details the foreign exchange contracts classified as cash flow hedges at 31 December:

	Fair Value Asset/(Liability)		Notional Principal	
	2020 €'m	2019 €'m	2020 €'m	2019 €'m
Forward foreign exchange contracts				
less than 1 year	4.1	(0.1)	1,105.0	1,735.7
1 - 2 years	(0.4)	-	31.4	19.8
Forward foreign exchange contracts - cash flow hedges	3.7	(0.1)	1,136.4	1,755.5

The following table details the impact of forward foreign exchange contracts - cash flow hedges on the Consolidated Balance Sheet as at 31 December:

	2020 €'m	2019 €'m
Forward foreign exchange contracts - cash flow hedges	3.7	(0.1)
Retained earnings and other reserves:		
Cash flow hedging reserve	(2.9)	(1.6)
Amount reclassified from OCI to profit or loss	(0.8)	1.7
	(3.7)	0.1

The fair value included in the hedging reserve will primarily be released to the Consolidated Income Statement within **7 months** (2019: 6 months) of the balance sheet date. All forward contracts relate to sales revenue and purchases made in their respective currencies and forward foreign exchange contracts that provide a hedge against foreign currency receivables from 'within Group' lending.

23. Financial instruments (continued)

Financial risk management objectives (continued)

(i) Foreign exchange rate risk management (continued)

(i.i) Forward foreign exchange contracts (continued)

The following table details the impact of forward foreign exchange contracts* - cash flow hedges on the Consolidated Income Statement and Consolidated Statement of Comprehensive Income during the financial year:

	2020 €'m	2019 €'m
Movements recognised in the Consolidated Statement of Comprehensive Income		
Total hedging gain recognised in OCI in the financial year	(2.1)	(2.4)
Amount reclassified from OCI to profit or loss	3.4	0.6
	1.3	(1.8)

Movements recognised in the Consolidated Income Statement

Income reclassified from OCI to profit or loss ¹	(3.4)	(0.6)
Ineffectiveness recognised in profit or loss ¹	-	-
	(3.4)	(0.6)

* Location of line item in the Consolidated Income Statement

¹ Other general overheads

There were no transactions during 2020 or 2019 which were designated as hedges that did not occur, nor are there hedges on forecast transactions that are no longer expected to occur.

(ii) Interest rate risk management

The Group is exposed to interest rate risk as the Group holds borrowings on both a fixed and floating basis. This exposure to interest rate risk is managed by optimising the mix of fixed and floating rate borrowings and by using interest rate swaps, cross currency swaps and forward rate agreements to hedge these exposures, in accordance with Group policy as approved by the Board of Directors. The Group reviews the mix of fixed and floating rate borrowings on an ongoing basis and adjusts where necessary to comply with Group policy. Derivative financial instruments are held in the Consolidated Balance Sheet at their fair value.

(ii.i) Interest rate profile of financial liabilities excluding related derivatives fair value

The Group's exposure to interest rates on financial assets and liabilities are detailed in the table below including the impact of cross currency swaps (CCS) on the currency profile of net debt (including lease liabilities):

	Total Pre CCS €'m	Impact of CCS €'m	Total after CCS €'m	Floating Rate Debt €'m	Fixed Rate Debt €'m
Euro	(1,562.0)	(191.7)	(1,753.7)	(25.0)	(1,728.7)
Sterling	78.2	-	78.2	78.2	-
US Dollar	(591.5)	191.7	(399.8)	(196.1)	(203.7)
Others	82.0	-	82.0	82.0	-
At 31 December 2020	(1,993.3)	-	(1,993.3)	(60.9)	(1,932.4)
Euro	(1,295.5)	(411.0)	(1,706.5)	(158.8)	(1,547.7)
Sterling	53.7	-	53.7	53.7	-
US Dollar	(922.9)	411.0	(511.9)	(289.2)	(222.7)
Others	89.0	-	89.0	89.0	-
At 31 December 2019*	(2,075.7)	-	(2,075.7)	(305.3)	(1,770.4)

* Prior year has been re-presented to include lease liabilities, which are included under floating rate debt.

The currency profile of debt highlights the impact of the **US\$450m** (2019: US\$658m) of cross currency swaps entered into at the time of issuance of senior notes. For the 2013 senior notes, US\$250m were swapped from US dollar fixed to euro fixed and are accounted for as cash flow hedges. For the private placement notes, **US\$200m** (2019: US\$408m) were swapped from US dollar fixed to euro floating and are accounted for as fair value hedges. The retranslation of the foreign currency debt of **US\$450m** (2019: US\$658m) to the balance sheet rate resulted in a foreign currency loss of **€36.8m** (2019: €116.3m) which is directly offset by a gain of **€36.8m** (2019: €116.3m) on the application of hedge accounting on the cross currency swaps.

23. Financial instruments (continued)

Financial risk management objectives (continued)

(ii) Interest rate risk management (continued)

(ii.i) Interest rate profile of financial liabilities excluding related derivatives fair value (continued)

In addition, the Group holds €950m of 2025 senior notes of which €750m were issued in 2015 and €200m were issued in 2020. €175m of the 2025 senior notes from 2015 were swapped, using cross currency swaps, from euro fixed to US dollar floating and are accounted for as fair value hedges of the related debt. The fair value of the related derivative includes an asset of **€16.2m** (2019: €1.5m) for movement in exchange rates since the date of execution which is directly offset by a loss of **€16.2m** (2019: €1.5m) on the application of hedge accounting on the cross currency swaps.

The floating rate financial liabilities are at rates which fluctuate mainly based upon LIBOR or EURIBOR and comprise of bank borrowings and other financial liabilities bearing interest rates fixed in advance for periods ranging from 1 to 6 months. At the financial year end **24%** (2019: 31% after lease liabilities) of gross debt was held at floating rates.

If the interest rates applicable to floating rate net debt were to rise by 1% holding all other items constant, the profit of the Group before taxation and non-trading items in the Consolidated Income Statement could decrease by 1% (2019: 1%).

(ii.ii) Interest rate swap contracts

The Group's activities expose it to risks of changes in interest rates in relation to long-term debt. The Group uses interest rate swaps, cross currency swaps and forward rate agreements to hedge these exposures. Derivative financial instruments are held in the Consolidated Balance Sheet at their fair values.

The Group adopts an 'exit price' approach to valuing interest rate derivatives to allow for credit risk.

The following table details the portfolio of interest rate derivative contracts* at the balance sheet date:

	Notes	2020 €'m Asset	2020 €'m Liability	2020 €'m Total	2019 €'m Asset	2019 €'m Liability	2019 €'m Total
Designated in a hedging relationship:							
Interest rate swap contracts - cash flow hedges	(a)	8.4	-	8.4	18.4	-	18.4
- non-current ²		8.4	-	8.4	18.4	-	18.4
Interest rate swap contracts - fair value hedges	(b)	73.5	-	73.5	110.0	-	110.0
- current ¹		-	-	-	45.7	-	45.7
- non-current ²		73.5	-	73.5	64.3	-	64.3
Interest rate swap contracts		81.9	-	81.9	128.4	-	128.4

* Location of line item in the Consolidated Balance Sheet

¹ Other current financial instruments

² Other non-current financial instruments

The Group adopted the hedge accounting requirements of IFRS 9 'Financial Instruments'. The Group enters into hedge relationships when there is an economic relationship between the identified notional amount of the underlying debt instrument (hedged item) and the interest rate swap contract (hedged instrument).

Interest rate swap

As the critical terms match for the prospective assessment of effectiveness, a qualitative assessment is performed. The Group has established a 1:1 hedge ratio as the underlying risks in the interest rate swap contracts are identical to the hedged risk components. Hedge effectiveness is determined at the origination of the hedging relationship. In instances where changes occur to the hedged item which result in the critical terms no longer matching, the Group uses the hypothetical derivative method to assess effectiveness. Hedge ineffectiveness may occur due to the credit/debit value adjustment on the interest rate swaps which is not matched by the loan.

Cross currency interest rate swap

The Group uses the hypothetical derivative method to assess effectiveness for such swaps as while the critical terms match, both qualitative and quantitative assessments are required to be performed as there remains characteristics in cross currency interest rate swap contracts that are not present in the hedged item, being basis risks. The Group has established a 1:1 hedge ratio as the underlying risks in the cross currency interest rate swap contracts are identical to the hedged risk components. Hedge effectiveness is determined at the origination of the hedging relationship and at each reporting date.

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than twelve months and as a current asset or liability if the maturity of the hedged item is less than twelve months. The classification of the maturity profile of the interest rate derivative contracts are set out in the following tables (a) and (b).

23. Financial instruments (continued)

Financial risk management objectives (continued)

(ii) Interest rate risk management (continued)

(ii.ii) Interest rate swap contracts (continued)

Cross currency interest rate swap (continued)

The tables as set out reflect the hedging relationships affected by interest rate benchmark reform (IBOR reform) as financial instruments transition to risk free rates. Group treasury are managing the IBOR transition process. The principal change is expected to be for the contractual terms of IBOR-referenced interest rate swaps and debt instruments and the related impact on hedge designation, systems and processes. While general communication with swap and debt counterparties has commenced, no specific changes have been agreed to date. In assessing the potential impact the Group has assumed that the uncertainty in relation to the IBOR reform will remain until the Group has completed specific changes with the swap and debt counterparties and the Group will continue to apply the amendments to IFRS 9 until this date.

(a) Interest rate swap contracts - cash flow hedges

Under interest rate swap contracts, including cross currency interest rate swaps, the Group agrees to exchange the difference between the fixed and floating rate interest amounts calculated on the agreed notional principal amounts.

The following table details the notional principal amounts and remaining terms of the cash flow hedges, where the Group receives a floating or a fixed interest rate and pays fixed interest rate on swaps as at 31 December:

	Average Contracted Fixed Interest Rate		Fair Value Asset		Notional Principal	
	2020 %	2019 %	2020 €'m	2019 €'m	2020 €'m	2019 €'m
Interest rate swap contracts						
2 - 5 years	2.58	2.58	8.4	18.4	203.7	222.7
Interest rate swap contracts - cash flow hedges			8.4	18.4	203.7	222.7

The following table details the impact of interest rate swap contracts* - cash flow hedges on the Consolidated Balance Sheet as at 31 December:

	2020 €'m	2019 €'m
Interest rate swap contracts - cash flow hedges	8.4	18.4
Fixed rate borrowings:		
Amount reclassified from hedge reserve to profit or loss re: foreign exchange rate fluctuations ¹	(8.3)	(27.2)
Retained earnings and other reserves:		
Cash flow hedging reserve	0.3	9.8
Cost of hedging reserve	(0.6)	(1.4)
Accumulated hedge ineffectiveness	0.2	0.4
	(8.4)	(18.4)

* Location of line item in the Consolidated Balance Sheet

¹ Borrowings & overdrafts

The following table details the impact of interest rate swap contracts - cash flow hedges on the Consolidated Statement of Comprehensive Income during the financial year:

	2020 €'m	2019 €'m
Total hedging loss recognised in cash flow hedging reserve	(27.7)	(4.3)
Total hedging gain recognised in cost of hedging reserve	0.7	0.2
Amount reclassified from hedge reserve to profit or loss re: foreign exchange rate fluctuations	18.9	(4.2)
Amount reclassified from OCI to profit or loss re: interest rate fluctuations	(0.5)	(0.5)
Ineffectiveness recognised in profit or loss	(0.2)	(0.1)
Net impact	(8.8)	(8.9)

23. Financial instruments (continued)

Financial risk management objectives (continued)

(ii) Interest rate risk management (continued)

(ii.ii) Interest rate swap contracts (continued)

(a) Interest rate swap contracts - cash flow hedges (continued)

The following table details the income/(expense) impact of interest rate swap contracts* - cash flow hedges and the hedged item on the Consolidated Income Statement during the financial year:

	2020 €'m	2019 €'m
Interest rate swap contracts - cash flow hedges:		
Foreign exchange rate fluctuations ¹	(18.9)	4.2
Amount reclassified from OCI to profit or loss re: interest rate fluctuations ²	0.5	0.5
Ineffectiveness recognised in profit or loss ²	0.2	0.1
Fixed rate borrowings:		
Foreign exchange rate fluctuations ¹	18.9	(4.2)
Net impact	0.7	0.6

* Location of line item in the Consolidated Income Statement

¹ Other general overheads

² Finance costs

The interest rate swaps settle on a 6 monthly basis, the difference between the floating rate or fixed rate due to be received and the fixed rate to be paid are settled on a net basis.

(b) Interest rate swap contracts - fair value hedges

Under interest rate swap contracts including cross currency interest rate swaps, the Group agrees to exchange the difference between the floating and fixed interest amounts calculated on the agreed notional principal amounts.

The following table details the notional principal amounts and remaining terms of the fair value hedges, where the Group receives a fixed interest rate and pays a floating interest rate on swaps as at 31 December:

	Average Contracted Fixed Interest Rate		Fair Value Asset		Notional Principal	
	2020 %	2019 %	2020 €'m	2019 €'m	2020 €'m	2019 €'m
Interest rate swap contracts						
less than 1 year	-	4.8	-	45.7	-	185.3
1 - 2 years	4.9	-	21.9	-	101.9	-
2 - 5 years	3.1	3.8	51.6	33.6	439.8	334.0
> 5 years	-	3.1	-	30.7	-	241.8
Interest rate swap contracts - fair value hedges			73.5	110.0	541.7	761.1

The interest rate swaps settle on a 6 monthly or annual basis. The floating interest rate paid by the Group is based on 6 month EURIBOR or LIBOR. All hedges are highly effective on a prospective and retrospective basis.

23. Financial instruments (continued)

Financial risk management objectives (continued)

(ii) Interest rate risk management (continued)

(ii.ii) Interest rate swap contracts (continued)

(b) Interest rate swap contracts - fair value hedges (continued)

The following table details the impact of interest rate swap contracts* - fair value hedges and the hedged items on the Consolidated Balance Sheet as at 31 December:

	2020 €'m	2019 €'m
Interest rate swap contracts - fair value hedges	73.5	110.0
Fixed rate borrowings:		
Foreign exchange rate fluctuations ¹	(28.5)	(89.1)
Interest rate movements ¹	(33.7)	(24.9)
Receivables:		
Foreign exchange rate fluctuations ²	(16.2)	(1.5)
Retained earnings and other reserves:		
Hedge ineffectiveness	2.0	2.7
Cost of hedging reserve	2.9	2.8
	(73.5)	(110.0)

* Location of line item in the Consolidated Balance Sheet

¹ Borrowings and overdrafts

² Receivables: €175m of the 2015 senior notes issuance were swapped from Euro to US dollars and subsequently on-lent from a Euro entity to a US dollar entity

The following table details the impact of interest rate swap contracts - fair value hedges on the Consolidated Statement of Comprehensive Income during the financial year:

	2020 €'m	2019 €'m
Amounts recognised in the cost of hedging reserve	0.1	(0.8)

The following table details the income/(expense) impact of interest rate swap contracts*/** - fair value hedges and the hedged items on the Consolidated Income Statement during the financial year:

	2020 €'m	2019 €'m
Interest rate swap contracts - fair value hedges:		
Foreign exchange rate fluctuations ¹	(0.4)	3.7
Interest rate movements ²	8.7	11.7
Ineffectiveness recognised in profit or loss ²	0.7	2.8
Fixed rate borrowings:		
Foreign exchange rate fluctuations ¹	15.2	(7.0)
Interest rate movements ²	(8.7)	(11.7)
Receivables:		
Foreign exchange rate fluctuations ³	(14.8)	3.3
Net impact	0.7	2.8

* Location of line item in the Consolidated Income Statement

** Location of line item in the Consolidated Balance Sheet

¹ Other general overheads

² Finance costs

³ Receivables: €175m of the 2015 senior notes issuance were swapped from Euro to US dollars and subsequently on-lent from a Euro entity to a US dollar entity within the Group

23. Financial instruments (continued)

Financial risk management objectives (continued)

(iii) Liquidity risk management

Liquidity risk considers the risk that the Group could encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. There is no significant concentration of liquidity risk.

Following the renewal of the revolving credit facility in June 2019 and the issuance of the €750m 2029 senior notes in September 2019, the Group entered 2020 with significant available liquidity. During 2020, this position was further strengthened by (a) completing a €200m tap issuance onto our 2025 senior notes and (b) the exercise of the first of the two 'plus one year' extension options on our June 2019 revolving credit facility.

Group funding and liquidity is managed by ensuring that sufficient facilities are available from diverse funding sources with an appropriate spread of debt maturities to match the underlying assets. The Group uses cash flow forecasts to constantly monitor the funding requirements of the Group.

Group businesses are funded from cash generated from operations, borrowings from banks and senior notes from capital markets. It is Group policy to ensure that:

- sufficient facilities are available to cover its gross forecast debt by at least 1.25 times; and
- at least 75% of total facilities available are committed.

Both targets were met at 31 December 2020 and 2019.

Funding is sourced from banks via syndicated and bilateral arrangements and from institutional investors.

All Group credit facilities are arranged and managed by Group Treasury and approved by the Board of Directors. Where possible, facilities have common security and terms and conditions. The private placement notes for which US\$200m remains outstanding have financial covenants attached - no other debt issued has financial covenants. Other than the pre existing contractual exercise of the 'plus one year' extension option on the revolving credit facility agreement, the Group did not undertake any liability modifications to contracts for existing debt during 2020.

At 31 December 2020, the Group had undrawn committed bank facilities of **€1,100m** (2019: €1,100m), and a portfolio of undrawn standby facilities amounting to **€320m** (2019: €330m). The undrawn committed facilities comprise primarily of a revolving credit facility maturing between **4 - 5 years** (2019: between 4 - 5 years). As set out above during the year the Group exercised the first of its two 'plus one year' extension options on the revolving credit facility. As a result of the extension option the Group now holds a committed facility until June 2024 for €1,100m at which time it reduces to a committed facility of €1,022m from June 2024 to June 2025.

(iii.i) Contractual maturity profile of non-derivative financial instruments

The following table details the Group's remaining contractual maturity of its non-derivative financial instruments, including lease liabilities and deferred payments on acquisitions of businesses, excluding the remaining trade and other payables (note 19) and other non-current liabilities (note 21), of which **€1,499.2m** (2019: €1,595.1m) is payable within 1 year, **€85.3m** (2019: €84.7m) between 2 and 5 years. This information has been drawn up based on the undiscounted cash flows of financial liabilities to the earliest date on which the Group can be required to repay. The analysis includes both interest commitments and principal cash flows. To the extent that interest rates are floating, the rate used is derived from interest rate yield curves at the end of the reporting date and as such, are subject to change based on market movements.

23. Financial instruments (continued)

Financial risk management objectives (continued)

(iii) Liquidity risk management (continued)

(iii.i) Contractual maturity profile of non-derivative financial instruments (continued)

	Note	On demand & up to 1 year €'m	Up to 2 years €'m	2 - 5 years €'m	> 5 years €'m	Total €'m
Bank overdrafts		(2.8)	-	-	-	(2.8)
Bank loans		-	-	-	-	-
Senior notes		-	(101.9)	(1,630.3)	(739.9)	(2,472.1)
Borrowings and overdrafts		(2.8)	(101.9)	(1,630.3)	(739.9)	(2,474.9)
Lease liabilities (undiscounted)	11 (iii.iv)	(31.4)	(22.6)	(29.0)	(9.1)	(92.1)
Deferred payments on acquisition of businesses		(17.1)	(1.6)	(3.5)	-	(22.2)
		(51.3)	(126.1)	(1,662.8)	(749.0)	(2,589.2)
Interest commitments on borrowings and overdrafts		(54.9)	(50.2)	(86.4)	(17.4)	(208.9)
At 31 December 2020		(106.2)	(176.3)	(1,749.2)	(766.4)	(2,798.1)
Reconciliation to net debt position:						
Borrowings and overdrafts		(2.8)	(101.9)	(1,630.3)	(739.9)	(2,474.9)
Senior notes - fair value adjustment		-	(4.3)	(29.4)	-	(33.7)
Borrowings and overdrafts		(2.8)	(106.2)	(1,659.7)	(739.9)	(2,508.6)
Interest rate swaps		-	21.9	60.0	-	81.9
Cash at bank and in hand		563.1	-	-	-	563.1
Net debt - pre lease liabilities		560.3	(84.3)	(1,599.7)	(739.9)	(1,863.6)
Lease liabilities (discounted)	11 (iii.iv)	(27.0)	(20.6)	(26.6)	(7.3)	(81.5)
Total net debt as at 31 December 2020		533.3	(104.9)	(1,626.3)	(747.2)	(1,945.1)
	Note	On demand & up to 1 year €'m	Up to 2 years €'m	2 - 5 years €'m	> 5 years €'m	Total €'m
Bank overdrafts		(5.2)	-	-	-	(5.2)
Bank loans		-	(1.2)	-	-	(1.2)
Senior notes		(185.3)	-	(777.6)	(1,551.9)	(2,514.8)
Borrowings and overdrafts		(190.5)	(1.2)	(777.6)	(1,551.9)	(2,521.2)
Lease liabilities (undiscounted)	11 (iii.iv)	(40.9)	(27.2)	(33.0)	(18.6)	(119.7)
Deferred payments on acquisition of businesses		(13.0)	(2.7)	(6.0)	-	(21.7)
		(244.4)	(31.1)	(816.6)	(1,570.5)	(2,662.6)
Interest commitments on borrowings and overdrafts		(53.2)	(52.8)	(105.2)	(34.6)	(245.8)
At 31 December 2019*		(297.6)	(83.9)	(921.8)	(1,605.1)	(2,908.4)
Reconciliation to net debt position:						
Borrowings and overdrafts		(190.5)	(1.2)	(777.6)	(1,551.9)	(2,521.2)
Senior notes - fair value adjustment		(0.3)	-	(7.0)	(17.6)	(24.9)
Borrowings and overdrafts		(190.8)	(1.2)	(784.6)	(1,569.5)	(2,546.1)
Interest rate swaps		45.7	-	52.0	30.7	128.4
Cash at bank and in hand		554.9	-	-	-	554.9
Net debt - pre lease liabilities		409.8	(1.2)	(732.6)	(1,538.8)	(1,862.8)
Lease liabilities (discounted)	11 (iii.iv)	(34.9)	(24.4)	(32.8)	(17.3)	(109.4)
Total net debt as at 31 December 2019*		374.9	(25.6)	(765.4)	(1,556.1)	(1,972.2)

* Prior year has been re-presented to include lease liabilities in total net debt.

23. Financial instruments (continued)

Financial risk management objectives (continued)

(iii) Liquidity risk management (continued)

(iii.ii) Contractual maturity profile of derivative financial instruments

The following table details the Group's remaining contractual maturity of its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows and outflows on derivative instruments that settle on a net basis. To the extent that the amounts payable or receivable are not fixed, the rate used is derived from interest rate yield curves at the end of the reporting date and as such are subject to change based on market movements.

	On demand & up to 1 year €'m	Up to 2 years €'m	2 - 5 years €'m	> 5 years €'m	Total €'m
Interest rate swaps inflow	25.3	38.4	52.2	-	115.9
Interest rate swaps outflow	(12.5)	(11.7)	(9.0)	-	(33.2)
Net interest rate swaps inflow	12.8	26.7	43.2	-	82.7
Forward foreign exchange contracts inflow/(outflow)	4.1	(0.4)	-	-	3.7
At 31 December 2020	16.9	26.3	43.2	-	86.4

	On demand & up to 1 year €'m	Up to 2 years €'m	2 - 5 years €'m	> 5 years €'m	Total €'m
Interest rate swaps inflow	73.2	27.3	98.9	18.0	217.4
Interest rate swaps outflow	(20.0)	(19.2)	(40.9)	-	(80.1)
Net interest rate swaps inflow	53.2	8.1	58.0	18.0	137.3
Forward foreign exchange contracts outflow	(0.1)	-	-	-	(0.1)
At 31 December 2019	53.1	8.1	58.0	18.0	137.2

Included in the interest rate swaps inflow and outflow is the foreign currency differential on final maturity of the cross currency interest rate swaps as follows:

Swaps inflow

- Up to 1 year - swaps inflow of **€nil** (2019: €45.4m)
- 1 - 2 years - swaps inflow of **€17.8m** (2019: €nil)
- 2 - 5 years - swaps inflow of **€35.2m** (2019: €54.6m)
- Greater than 5 years - swaps inflow of **€nil** (2019: €17.8m)

(iii.iii) Summary of borrowing arrangements

(a) Bank loans

Bank loans comprise committed term loan facilities, committed revolving credit facilities, bilateral term loans and other uncommitted facilities:

- Demand facilities;
- Syndicate revolving credit facilities of €1,100m to June 2024 at which time it reduces to €1,022m until June 2025; and
- Bilateral term loans with maturities ranging up to 1 year.

(b) 2029 Euro senior note - public

In 2019 the Group issued a 10 year euro note of €750m at an interest rate of 0.625% with a maturity date on 20 September 2029.

(c) 2025 Euro senior note - public

In 2015 the Group issued a debut 10 year euro note of €750m at an interest rate of 2.375% with a maturity date on 10 September 2025. During 2020 the Group completed a €200m tap issuance onto our 2025 Euro Senior Note.

(d) 2023 US dollar senior note - public

In 2013 the Group issued a debut 10 year USA public note of US\$750m at an interest rate of 3.2% with a maturity date on 9 April 2023.

23. Financial instruments (continued)

Financial risk management objectives (continued)

(iii) Liquidity risk management (continued)

(iii.iii) Summary of borrowing arrangements (continued)

(e) 2010 Senior notes - private placement notes

The Group placed US\$600m of senior notes with USA institutional investors in four tranches with maturity as follows:

- Tranche A of US\$192m - matured and repaid on 20 January 2017
- Tranche B of US\$208m - matured and repaid on 20 January 2020
- Tranche C of US\$125m - maturing on 20 January 2022
- Tranche D of US\$75m - maturing on 20 January 2025

The interest rates listed above are before the effects of related interest rate swaps.

The US\$200m of private placement notes have financial covenants attached to them. The Group was in full compliance with these covenants for the financial years 2020 and 2019.

(f) Lease liabilities

The Group's lease liabilities are set out in note 11 (iii).(iii).

(iv) Credit risk management

Cash deposits and other financial assets give rise to credit risk on the amounts due from counterparties.

The Group controls and monitors the distribution of this exposure by ensuring that all financial instruments are held with reputable and financially secure institutions and that exposure to credit risk is distributed across a number of institutions. At 31 December 2020 and 2019 all cash, short-term deposits and other liquid investments had a maturity of less than 3 months.

Credit risk exposure to financial institutions is actively managed across the portfolio of institutions by setting appropriate credit exposure limits based on a value at risk calculation that takes EBITDA of the Group and calculates approved tolerance levels based on credit default swap rates for the financial institutions. These levels are applied in controlling the level of material surplus funds that are placed with counterparties and for controlling the institutions with which the Group enters into derivative contracts. Credit default swaps for those financial institutions are as published by independent credit rating agencies and are updated and reviewed on an ongoing basis.

The Group's exposure to its counterparties is continuously monitored and the aggregate value of transactions entered into is spread amongst approved counterparties.

Trade receivables consist of a large number of customers, spread across diverse geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable at operating unit level at least on a monthly basis.

The Group's maximum exposure to credit risk consists of gross trade receivables (note 18), cash deposits (note 22) and other financial assets (note 22), which are primarily interest rate swaps and foreign exchange contracts.

In relation to credit risk on derivative financial instruments, where appropriate, the Group credit risk is actively managed across the portfolio of institutions through monitoring the credit default swaps (CDS) and setting appropriate credit exposure limits based on CDS levels. These levels are applied in controlling the level of material surplus funds that are placed with counterparties and for controlling institutions with which the Group enters into derivative contracts.

(v) Price risk management

The Group's exposure to equity securities price risk, due to financial asset investments held, is considered to be low as the level of securities held versus the Group's net assets is not material.

(vi) Fair value of financial instruments

(a) Fair value of financial instruments carried at fair value

Financial instruments recognised at fair value are analysed between those based on:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- those involving inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- those involving inputs for the assets or liabilities that are not based on observable market data (unobservable inputs) (Level 3).

23. Financial instruments (continued)

Financial risk management objectives (continued)

(vi) Fair value of financial instruments (continued)

(a) Fair value of financial instruments carried at fair value (continued)

		Fair Value Hierarchy	2020 €'m	2019 €'m
Financial assets				
Interest rate swaps:	Non-current	Level 2	81.9	82.7
	Current	Level 2	-	45.7
Forward foreign exchange contracts:	Non-current	Level 2	0.1	-
	Current	Level 2	14.1	12.0
Financial asset investments:	Fair value through profit or loss	Level 1	37.0	37.4
	Fair value through other comprehensive income	Level 3	-	4.3
Financial liabilities				
Forward foreign exchange contracts:	Non-current	Level 2	(0.5)	-
	Current	Level 2	(10.0)	(12.1)

The reconciliation of Level 3 assets is provided in note 13. There have been no transfers between levels during the current or prior financial year.

(b) Fair value of financial instruments carried at amortised cost

Except as detailed in the following table, it is considered that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

	Fair Value Hierarchy	Carrying Amount 2020 €'m	Fair Value 2020 €'m	Carrying Amount 2019 €'m	Fair Value 2019 €'m
Financial liabilities					
Senior notes - Public	Level 2	(2,309.2)	(2,466.9)	(2,151.4)	(2,217.1)
Senior notes - Private	Level 2	(163.0)	(177.3)	(363.4)	(372.9)
		(2,472.2)	(2,644.2)	(2,514.8)	(2,590.0)

(c) Valuation principles

The fair value of financial assets and liabilities are determined as follows:

- assets and liabilities with standard terms and conditions which are traded on active liquid markets are determined with reference to quoted market prices. This includes equity investments;
- other financial assets and liabilities (excluding derivatives) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. This includes interest rate swaps and forward foreign exchange contracts which are determined by discounting the estimated future cash flows;
- the fair values of financial instruments that are not based on observable market data (unobservable inputs) requires entity specific valuation techniques; and
- derivative financial instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments. Forward foreign exchange contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates adjusted for counterparty credit risk, which is calculated based on credit default swaps of the respective counterparties. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates adjusted for counterparty credit risk, which is calculated based on credit default swaps of the respective counterparties.

23. Financial instruments (continued)

Financial risk management objectives (continued)

(vii) Offsetting financial instruments

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. The ISDA agreements do not meet the criteria for offsetting in the Consolidated Balance Sheet. This is because the Group does not have any current legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events. No collateral is paid or received.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

The table also sets out where the Group has offset bank overdrafts against cash at bank and in hand based on a legal right of offset as set out in the banking agreements.

	Gross amounts of financial assets in the Consolidated Balance Sheet €'m	Gross amounts of financial liabilities in the Consolidated Balance Sheet €'m	Amounts of financial instruments presented in the Consolidated Balance Sheet €'m	Related financial instruments that are not offset €'m	Net amount €'m
At 31 December 2020					
Financial assets					
Cash at bank and in hand	563.1	-	563.1	-	563.1
Forward foreign exchange contracts	14.2	-	14.2	(6.0)	8.2
Interest rate swaps	81.9	-	81.9	-	81.9
	659.2	-	659.2	(6.0)	653.2
Financial liabilities					
Bank overdrafts	-	(2.8)	(2.8)	-	(2.8)
Forward foreign exchange contracts	-	(10.5)	(10.5)	6.0	(4.5)
Interest rate swaps	-	-	-	-	-
	-	(13.3)	(13.3)	6.0	(7.3)
At 31 December 2019					
Financial assets					
Cash at bank and in hand	554.9	-	554.9	-	554.9
Forward foreign exchange contracts	12.0	-	12.0	(8.3)	3.7
Interest rate swaps	128.4	-	128.4	-	128.4
	695.3	-	695.3	(8.3)	687.0
Financial liabilities					
Bank overdrafts	-	(5.2)	(5.2)	-	(5.2)
Forward foreign exchange contracts	-	(12.1)	(12.1)	8.3	(3.8)
Interest rate swaps	-	-	-	-	-
	-	(17.3)	(17.3)	8.3	(9.0)

24. Provisions

	Insurance €'m	Non-Trading Items €'m	Total €'m
Group:			
At 1 January 2019	45.2	7.2	52.4
Provided during the financial year	0.8	9.6	10.4
Utilised during the financial year	-	-	-
Transferred to payables and accruals	-	(4.9)	(4.9)
Exchange translation adjustment	0.6	(0.1)	0.5
At 31 December 2019	46.6	11.8	58.4
Provided during the financial year	5.2	-	5.2
Utilised during the financial year	(5.6)	(0.1)	(5.7)
Released during the financial year	(6.2)	(0.6)	(6.8)
Transferred to payables and accruals	-	(8.8)	(8.8)
Exchange translation adjustment	(1.0)	-	(1.0)
At 31 December 2020	39.0	2.3	41.3
		2020 €'m	2019 €'m
Analysed as:			
Current liabilities		5.2	25.2
Non-current liabilities		36.1	33.2
		41.3	58.4

Insurance

The Group operates a level of self-insurance. Under these arrangements, the Group retains certain exposures up to pre-determined self-insurance levels. The amount of self-insurance is reviewed on a regular basis to ensure it remains appropriate. The provision for these exposures represents amounts provided based on advice from insurance consultants, industry information, actuarial valuation and historical data in respect of claims that are classified as incurred but not reported and outstanding loss reserves. The methodology of estimating the provision is periodically reviewed to ensure that the assumptions made continue to be appropriate. The utilisation of the provision is dependent on the timing of settlement of the outstanding claims. Historically, the average time for settlement of outstanding claims ranges from 2 to 4 years from claim date.

Non-trading items

Non-trading items relate to restructuring and acquisition integration provisions incurred in 2020 and 2019; these costs are expected to be paid within 24 months.

25. Retirement benefits obligation

The Group operates post-retirement benefit plans in a number of its businesses throughout the world. These plans are structured to accord with local conditions and practices in each country they operate in and can include both defined contribution and defined benefit plans. The assets of the schemes are held, where relevant, in separate trustee administered funds.

Defined benefit post-retirement schemes exist in a number of countries in which the Group operates, primarily in Ireland and the Netherlands (Eurozone), the UK and the USA (included in Rest of World). These defined benefit plans, most of which are closed to future accrual, comprise final salary pension plans, career average salary pension plans and post-retirement medical plans. The post-retirement medical plans operated by the Group relate primarily to a number of USA employees. Defined benefit schemes in Ireland, the UK, and the USA are administered by Boards of Trustees. The Boards of Trustees generally comprise of representatives of the employees, the employer and independent trustees. These Boards are responsible for the management and governance of the plans including compliance with all relevant laws and regulations.

25. Retirement benefits obligation (continued)

The values used in the Group's consolidated financial statements are based on the most recent actuarial valuations and have been updated by the individual schemes' independent and professionally qualified actuaries to incorporate the requirements of IAS 19 'Employee Benefits' in order to assess the liabilities of the various schemes as at 31 December 2020 using the projected unit credit method. All assets in the schemes have been measured at their fair value at the balance sheet date. Full actuarial valuations for funding purposes are carried out for the Group's pension plans in line with local requirements. The actuarial reports are not available for public inspection.

The Group continues to harmonise, standardise and integrate the benefit offering to employees across the countries in which it operates. As a result, a number of deferred members transferred their past service benefits out of the Irish defined benefit plans during 2019 and 2020.

The defined benefit plans expose the Group to risks such as interest rate risk, investment risk, inflation risk and mortality risk.

Interest rate risk

The calculation of the present value of the defined benefit obligation is sensitive to the discount rate which is derived from the interest yield on high quality corporate bonds at the balance sheet date. Market conditions in recent years have resulted in volatility in discount rates which has significantly impacted the present value of the defined benefit obligation. Such changes lead to volatility in the Group's Consolidated Balance Sheet, Consolidated Income Statement and Consolidated Statement of Comprehensive Income. Interest rates also impact on the funding requirements for the plans.

Investment risk

The net deficit recognised in the Consolidated Balance Sheet represents the present value of the defined benefit obligation less the fair value of the plan assets. When assets generate a rate of return less than the discount rate this results in an increase in the net deficit. Currently the plans have a diversified portfolio of investments in equities, bonds and other types of asset classes. External investment consultants periodically conduct an investment review and advise on the most appropriate asset allocation taking account of asset valuations, funding requirements, liability duration and the achievement of an appropriate return on assets.

Inflation risk

A significant proportion of the defined benefit obligation is linked to inflation, therefore an increase in inflation rates will increase the defined benefit obligation. However, a portion of the plan assets are inflation-linked debt securities which mitigates some of the effects of inflation movements.

Mortality risk

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the defined benefit obligation.

(i) Recognition in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income

The following amounts have been recognised in the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income in relation to defined contribution and defined benefit post-retirement plans:

	2020 €'m	2019 €'m
Service cost:		
- Costs relating to defined contribution schemes	63.9	64.0
- Current service cost relating to defined benefit schemes	3.2	2.7
- Past service and settlements	(12.8)	(9.9)
Net interest cost	-	0.8
Recognised in the Consolidated Income Statement	54.3	57.6
Re-measurements of the net defined benefit liability:		
- Return on plan assets (excluding amounts included in net interest cost)	(95.0)	(198.5)
- Experience (gains)/losses on schemes' liabilities	(5.5)	3.3
- Actuarial gains arising from changes in demographic assumptions	(3.0)	(8.9)
- Actuarial losses arising from changes in financial assumptions	170.5	190.1
Recognised in the Consolidated Statement of Comprehensive Income	67.0	(14.0)
Total	121.3	43.6

The total service cost is included in total staff numbers and costs (note 4) and the net interest cost is included in finance income and costs (note 6).

25. Retirement benefits obligation (continued)

(ii) Recognition in the Consolidated Balance Sheet

The Group's net defined benefit post-retirement schemes' deficit at 31 December, which has been recognised in the Consolidated Balance Sheet, was as follows:

	31 December 2020 €'m	31 December 2019 €'m
Present value of defined benefit obligation	(1,505.5)	(1,441.6)
Fair value of plan assets	1,451.1	1,429.7
Net recognised deficit in plans before deferred tax	(54.4)	(11.9)
Net related deferred tax asset	10.8	3.3
Net recognised deficit in plans after deferred tax	(43.6)	(8.6)

(iii) Financial and demographic assumptions

The principal financial assumptions used by the Group's actuaries in order to calculate the defined benefit obligation at 31 December, some of which have been shown in range format to reflect the differing assumptions in each scheme, were as follows:

	2020			2019		
	Eurozone %	UK %	Rest of World %	Eurozone %	UK %	Rest of World %
Inflation assumption	1.50	2.80	2.50	1.50	2.60	2.50
Rate of increase in salaries	N/A*	N/A*	3.00	N/A*	N/A*	3.00
Rate of increase for pensions in payment and deferred pensions	1.50	2.00 - 2.70	-	1.50	1.80 - 2.60	-
Rate used to discount schemes' liabilities	1.20	1.50	1.75 - 2.25	1.15 - 1.50	2.10	2.50 - 3.00

* Not applicable due to closure of the Irish, Netherlands and UK defined benefit plans to future accrual.

The most significant demographic assumption is mortality. The mortality assumptions used are based on advice from the pension schemes' actuaries and reflect each scheme's population. The life expectancy of a member retiring at 31 December at age 65, now and in 20 years' time, some of which have been shown in range format to reflect the differing assumptions in each scheme, is as follows:

	2020			2019		
	Eurozone Years	UK Years	Rest of World Years	Eurozone Years	UK Years	Rest of World Years
Male - retiring now	22	20	21 - 22	22	20	21 - 22
Female - retiring now	24	23	22 - 23	24 - 25	23	23 - 24
Male - retiring in 20 years' time	24	22	22 - 23	24	21	22 - 24
Female - retiring in 20 years' time	25 - 26	24	24	25 - 27	24	24 - 25

There are inherent uncertainties surrounding the financial and demographic assumptions adopted by the Group. The assumptions may differ from the actual data as a result of changes in economic and market conditions as well as the actual experience within each scheme. The present value of post-retirement benefit schemes' liabilities is heavily dependent on the discount rate. As the discount rate is based on a market driven measure, which is the interest yield on high quality corporate bonds at the balance sheet date, the present value of post-retirement benefit schemes' liabilities can fluctuate significantly from valuation to valuation. The expected rate of inflation impacts the schemes' liabilities in that inflation is the basis for the calculation of the assumed future salary and revaluation increases in each scheme where applicable. In relation to demographic assumptions, differing expectations regarding current and future changes in mortality rates can have a significant impact on the schemes' liabilities.

The following table gives an approximate indication of the impact of a change in the principal financial actuarial assumptions (discount rate, inflation rate, salary increases and pensions in payment and deferred pension increases) and the principal demographic actuarial assumption (mortality) on the schemes' liabilities. The present value of the defined benefit obligation has been calculated using the projected unit credit method. The impact on the defined benefit obligation at 31 December 2020 is calculated on the basis that only one assumption is changed with all other assumptions remaining unchanged. The assessment of the sensitivity analysis below could therefore be limited as a change in one assumption may not occur in isolation as assumptions may be correlated. There have been no changes from the previous year in the methods and assumptions used in preparing the sensitivity analysis.

25. Retirement benefits obligation (continued)

(iii) Financial and demographic assumptions (continued)

Assumption	Change in assumption	Impact on schemes' liabilities
Discount rate	Increase/decrease of 0.50%	Decrease/increase of 11.6%
Inflation rate	Increase/decrease of 0.50%	Increase/decrease of 8.0%
Salary increases	Increase/decrease of 0.50%	Increase/decrease of 0.0%
Pensions in payment and deferred pensions increases	Increase/decrease of 0.50%	Increase/decrease of 5.7%
Mortality	Increase/decrease in life expectancy of 1 Year	Increase/decrease of 3.8%

(iv) Reconciliations for defined benefit plans

The movements in the defined benefit schemes' obligation during the financial year were:

	2020 €'m	2019 €'m
Present value of the defined benefit obligation at beginning of the financial year	(1,441.6)	(1,280.4)
Current service cost	(3.2)	(2.7)
Past service and settlements	12.8	9.9
Interest expense	(26.8)	(34.3)
Contributions by employees	-	-
Benefits paid	56.8	59.7
Re-measurements:		
- experience gains/(losses) on schemes' liabilities	5.5	(3.3)
- actuarial gains arising from changes in demographic assumptions	3.0	8.9
- actuarial losses arising from changes in financial assumptions	(170.5)	(190.1)
Decrease arising on settlement	-	31.0
Exchange translation adjustment	58.5	(40.3)
Present value of the defined benefit obligation at end of the financial year	(1,505.5)	(1,441.6)

Present value of the defined benefit obligation at end of the financial year that relates to:

Wholly unfunded plans	(17.2)	(20.0)
Wholly or partly funded plans	(1,488.3)	(1,421.6)
	(1,505.5)	(1,441.6)

The weighted average duration of the defined benefit obligation at 31 December 2020 is approximately 22 years (2019: approximately 21 years).

The movements in the schemes' assets during the financial year were:

	2020 €'m	2019 €'m
Fair value of plan assets at beginning of the financial year	1,429.7	1,227.2
Interest income	26.8	33.5
Contributions by employer	13.8	19.5
Contributions by employees	-	-
Benefits paid	(56.8)	(59.7)
Re-measurements:		
- return on plan assets (excluding amounts included in net interest cost)	95.0	198.5
Decrease arising on settlement	-	(31.0)
Exchange translation adjustment	(57.4)	41.7
Fair value of plan assets at end of the financial year	1,451.1	1,429.7

25. Retirement benefits obligation (continued)

(iv) Reconciliations for defined benefit plans (continued)

The fair values of each of the categories of the pension schemes' assets at 31 December were as follows:

	2020 €'m	2019 €'m
Equities		
- Global Equities	566.5	662.1
- Emerging Market Equities	70.7	67.3
- Global Small Cap Equities	-	3.5
Government Fixed Income	25.1	25.9
Other Fixed Income	605.3	473.3
Multi-asset Funds		
- Diversified Growth Funds	164.4	166.6
- Hedge Funds	-	0.1
Cash and other	19.1	30.9
Total fair value of pension schemes' assets	1,451.1	1,429.7

The majority of equity securities and bonds have quoted prices in active markets. The schemes' assets are invested with professional investment managers. Investments in the Group's own financial instruments, if any, are solely at the discretion of the investment managers concerned. The actual amount of the Group's own financial instruments held by the pension schemes during 2020 and 2019 were not material. No property held by the pension schemes was occupied by the Group nor were any other pension schemes' assets used by the Group during 2020 or 2019.

Both the UK and Irish Schemes have invested in pooled Liability Driven Investment (LDI) strategies. The primary goal of this asset class is to mitigate volatility and enable better matching of investment returns with the cash outflows required to pay benefits. The pooled LDI solutions invest in various levered and unlevered bonds and the value of the LDI assets at 31 December 2020 across UK and Irish schemes was **€355.8m** (2019: €337.0m) which is based on the latest market bid price for the underlying investments, which are traded daily on liquid markets.

(v) Funding for defined benefit plans

The Group operates a number of defined benefit plans in a number of countries and each plan is required to be operated in line with local legislation, conditions, practices and the regulatory framework in place for the specific country. As a result, there are a number of different funding arrangements in place that accord with the specific local legislative, regulatory and actuarial requirements.

Funding for each plan is carried out by cash contributions from the Group's subsidiaries. These funding arrangements have been advised by the pension schemes' actuaries and agreed between the Group and the relevant Trustees. It is the aim of the Group to eliminate actuarial deficits, on average over seven to eight years. Actuarial valuations, which are not available for public inspection, are carried out every three years in Ireland and the UK; and every year in the USA. During the financial year ending 31 December 2021, the Group expects to make contributions of approximately €14.4m to its defined benefit plans.

26. Share capital

	2020 €'m	2019 €'m
Group and Company:		
Authorised		
280,000,000 A ordinary shares of 12.50 cent each	35.0	35.0
Allotted, called-up and fully paid (A ordinary shares of 12.50 cent each)		
At beginning of the financial year	22.1	22.0
Shares issued during the financial year	-	0.1
At end of the financial year	22.1	22.1

The Company has one class of ordinary share which carries no right to fixed income.

26. Share capital (continued)

Shares issued

During 2020 a total of **185,094** (2019: 216,526) A ordinary shares, each with a nominal value of 12.50 cent, were issued at nominal value per share under the Long-Term and Short-Term Incentive Plans.

The total number of shares in issue at 31 December 2020 was **176,700,036** (2019: 176,514,942).

Share buy back programme

At the 2020 Annual General Meeting, shareholders passed a resolution authorising the Company to purchase up to 5% of its own issued share capital. In 2020 and 2019, no shares were purchased under this programme.

27. Share-based payments

The Group operates two equity-settled share-based payment plans. The first plan is the Group's Long-Term Incentive Plan and the second is the element of the Group's Short-Term Incentive Plan that is settled in shares/share options after a 2 year deferral period. Details on each of these plans are outlined below.

The Group recognised an expense of **€12.5m** (2019: €14.4m) related to equity-settled share-based payment transactions in the Consolidated Income Statement during the financial year. The expectation of meeting performance criteria was taken into account when calculating this expense.

(i) Long-Term Incentive Plan

The Group operates an equity-settled Long-Term Incentive Plan (LTIP) under which an invitation to participate was made to Executive Directors and senior executives. The proportion of each invitation which vests will depend on the Adjusted Earnings Per Share (EPS) performance, Total Shareholder Return (TSR) and Return on Average Capital Employed (ROACE) of the Group during a three year period ('the performance period'). The invitations made in 2018, 2019 and 2020 will potentially vest in 2021, 2022 and 2023 respectively. 50% of the award will be issued at the date of vesting, with 50% being issued after a 2 year deferral period.

Up to 50% of the shares/share options subject to an invitation will vest according to the Group's Adjusted EPS growth calculated on a constant currency basis compared with target during the performance period. Up to 30% of the shares/share options subject to an invitation will vest according to the Group's TSR performance during the performance period measured against the TSR performance of a peer group of listed companies. The remaining 20% of the shares/share options will vest according to the Group's ROACE versus predetermined targets. An invitation may lapse if a participant ceases to be employed within the Group before the vesting date.

Under the LTIP, the Group introduced career shares awards, under which an invitation to participate was made to a limited number of senior executives. The proportion of each invitation which vests will depend on personal objectives during a three year period ('the performance period') and the senior executives remaining within the Group for a four year period ('the retention period'). The invitations made in 2015, 2016, 2017, 2018, 2019 and 2020 will potentially vest in 2021, 2022, 2023, 2024, 2025 and 2026 respectively. An invitation may lapse if a participant ceases to be employed within the Group before the vesting date.

27. Share-based payments (continued)

(i) Long-Term Incentive Plan (continued)

A summary of the status of the LTIP as at 31 December and the changes during the financial year are presented below:

	Number of Conditional Awards 2020	Number of Conditional Awards 2019
Outstanding at beginning of the financial year	1,297,017	1,143,665
Forfeited	(76,535)	(77,784)
Shares vested	(77,717)	(68,094)
Share options vested	(140,034)	(107,713)
Relinquished	(138,147)	(101,492)
New conditional awards	391,671	508,435
Outstanding at end of the financial year	1,256,255	1,297,017

	Number of Share Options 2020	Number of Share Options 2019
Share options arising under the LTIP		
Outstanding at beginning of the financial year	126,274	180,615
Options released at vesting date	74,131	58,316
Options released from deferral	49,552	36,113
Exercised	(89,474)	(148,770)
Outstanding and exercisable at end of the financial year	160,483	126,274

Share options under the LTIP scheme have an exercise price of 12.50 cent. The remaining weighted average life for share options outstanding is **4.8 years** (2019: 4.4 years). The weighted average share price at the date of exercise was **€109.57** (2019: €101.09). **65,903** share options (2019: 49,397 share options) which vested in the financial year are deferred and therefore are not exercisable at year end.

At the invitation grant date, the fair value per conditional award and the assumptions used in the calculations are as follows:

LTIP Scheme	2020 Conditional Award at Grant Date	2019 Conditional Award at Grant Date	2018 Conditional Award at Grant Date	2017 Conditional Award at Grant Date
Conditional Award Invitation date	March 2020	March 2019	March 2018	March 2017
Year of potential vesting	2023/2026	2022/2025	2021/2024	2020/2023
Share price at grant date	€109.00	€95.40	€81.95	€74.52
Exercise price per share/share options	€0.125	€0.125	€0.125	€0.125
Expected volatility	20.8%	19.3%	19.8%	20.7%
Expected life	3/7 years	3/7 years	3/7 years	3/7 years
Risk free rate	(1.0%)	(0.5%)	(0.5%)	(0.8%)
Expected dividend yield	0.7%	0.7%	0.7%	0.7%
Expected forfeiture rate	5.0%	5.0%	5.0%	5.0%
Weighted average fair value at grant date	€92.06/€103.97	€78.00/€95.92	€66.52/€77.96	€61.64/€70.94
Valuation model	Monte Carlo Pricing	Monte Carlo Pricing	Monte Carlo Pricing	Monte Carlo Pricing

27. Share-based payments (continued)

(i) Long-Term Incentive Plan (continued)

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years. Market based vesting conditions, such as the TSR condition, have been taken into account in establishing the fair value of equity instruments granted. The TSR performance over the period is measured against the TSR performance of a peer group of listed companies. Non-market based performance conditions, such as the EPS and ROACE conditions, were not taken into account in establishing the fair value of equity instruments granted, however the number of equity instruments included in the measurement of the transaction is adjusted so that the amount recognised is based on the number of equity instruments that eventually vest.

(ii) Short-Term Incentive Plan

In 2013 the Group's Short-Term Incentive Plan (STIP) for Executive Directors was amended to incorporate a share-based payment element with 25% of the total bonus to be settled in shares/share options. The shares/share options awarded as part of this scheme will be issued 2 years after the vesting date once a deferral period has elapsed. There are no further performance conditions relating to the shares/share options during the deferral period.

There are 1,114 share options (2019: 4,829 share options) outstanding and exercisable in relation to the STIP.

A share-based payment expense is recognised in the Consolidated Income Statement for the scheme to reflect the cash value of the bonus to be paid by way of shares/share options. The issuance of shares/share options under the STIP which related to the 2019 and 2020 financial years will be released from deferral in 2021 and 2022 respectively.

28. Cash flow components

(i) Cash flow analysis

	Notes	Group 2020 €'m	Group 2019 €'m	Company 2020 €'m	Company 2019 €'m
Profit before taxation		635.3	645.9	168.3	137.5
Intangible asset amortisation	12	70.1	64.3	-	-
Non-trading items	5	19.4	110.9	-	14.9
Finance income	6	(0.2)	(0.3)	0.5	-
Finance costs	6	72.6	81.9	-	-
Trading profit		797.2	902.7	168.8	152.4
Change in working capital					
Increase in inventories		(39.7)	(78.6)	-	-
Increase in trade and other receivables		(48.1)	(49.9)	(33.2)	(41.7)
(Decrease)/increase in trade and other payables		(42.2)	45.7	(5.5)	4.6
Increase in non-current liabilities		8.8	4.5	-	-
Share-based payment expense	27	12.5	14.4	12.5	14.4
		(108.7)	(63.9)	(26.2)	(22.7)
Purchase of assets					
Purchase of property, plant and equipment		(227.9)	(258.9)	-	-
Purchase of intangible assets	12	(52.1)	(55.2)	-	-
Sale/(purchase) of financial assets	13	3.8	(1.5)	-	-
		(276.2)	(315.6)	-	-
Cash and cash equivalents					
Cash at bank and in hand	22	563.1	554.9	-	-
Bank overdrafts	22	(2.8)	(5.2)	-	-
		560.3	549.7	-	-

28. Cash flow components (continued)**(ii) Disposal of assets and businesses reconciliation**

	Notes	Group 2020 €'m	Group 2019 €'m
Assets and businesses			
Property, plant and equipment	11	(4.3)	(36.3)
Net assets and businesses disposed		(4.3)	(36.3)
Consideration			
Cash received		2.4	32.8
Total consideration received		2.4	32.8
Loss on disposal of assets and businesses	5	(1.9)	(3.5)

Net cash inflow on disposal:	Total 2020 €'m	Total 2019 €'m
Cash	2.4	32.8
Less: cash at bank and in hand balance disposed of	-	-
	2.4	32.8

(iii) Net debt reconciliation

	Note	Cash at bank and in hand €'m	Interest Rate Swaps €'m	Overdrafts due within 1 year* €'m	Borrowings due within 1 year* €'m	Borrowings due after - 1 year* €'m	Net Debt - pre lease liabilities €'m	Lease liabilities* €'m	Total Net Debt** €'m
At 1 January 2019		413.8	96.2	(9.9)	(3.9)	(2,119.7)	(1,623.5)	-	(1,623.5)
Cash flows		133.1	-	4.9	3.9	(389.5)	(247.6)	(35.5)	(283.1)
Foreign exchange adjustments		8.0	-	(0.2)	-	(12.0)	(4.2)	-	(4.2)
Other non-cash movements		-	32.2	-	(185.6)	165.9	12.5	(73.9)	(61.4)
At 31 December 2019	22	554.9	128.4	(5.2)	(185.6)	(2,355.3)	(1,862.8)	(109.4)	(1,972.2)
Cash flows		34.8	(45.5)	2.1	185.3	(211.6)	(34.9)	37.0	2.1
Foreign exchange adjustments		(26.6)	(20.1)	0.3	-	72.9	26.5	7.8	34.3
Other non-cash movements		-	19.1	-	0.3	(11.8)	7.6	(16.9)	(9.3)
At 31 December 2020	22	563.1	81.9	(2.8)	-	(2,505.8)	(1,863.6)	(81.5)	(1,945.1)

* Liabilities from financing activities.

** Prior year has been re-presented to include lease liabilities in total net debt.

29. Business combinations

During 2020, the Group completed a total of three acquisitions, all of which are 100% owned by the Group.

	Notes	Total 2020 €'m
Recognised amounts of identifiable assets acquired and liabilities assumed:		
<i>Non-current assets</i>		
Property, plant and equipment	11	21.2
Brand related intangibles	12	124.1
<i>Current assets</i>		
Cash at bank and in hand		1.2
Inventories		11.1
Trade and other receivables		16.8
<i>Current liabilities</i>		
Trade and other payables		(19.1)
<i>Non-current liabilities</i>		
Deferred tax liabilities	17	(23.0)
Other non-current liabilities		(1.5)
Total identifiable assets		130.8
Goodwill	12	149.2
Total consideration		280.0

Satisfied by:

Cash	270.3
Deferred payment	9.7
	280.0

Net cash outflow on acquisition:

	Total 2020 €'m
Cash	270.3
Less: cash and cash equivalents acquired	(1.2)
Less: prepayments made in 2019 in relation to 2020 acquisitions	(18.0)
	251.1

The acquisition method has been used to account for businesses acquired in the Group's financial statements. Given that the valuation of the fair value of assets and liabilities recently acquired is still in progress, some of the above values are determined provisionally. The valuation of the fair value of assets and liabilities will be completed within the measurement period. For the acquisitions completed in 2019, there have been no material revisions of the provisional fair value adjustments since the initial values were established. The Group performs quantitative and qualitative assessments of each acquisition in order to determine whether it is material for the purposes of separate disclosure under IFRS 3 'Business Combinations'. None of the acquisitions completed during the period were considered material to warrant separate disclosure.

The goodwill is attributable to the expected profitability, revenue growth, future market development and assembled workforce of the acquired businesses and the synergies expected to arise within the Group after the acquisition. €30.9m of goodwill recognised is expected to be deductible for income tax purposes.

Transaction expenses related to these acquisitions of €1.4m were charged in the Group's Consolidated Income Statement during the financial year. The fair value of the financial assets includes trade and other receivables with a fair value of €16.8m and a gross contractual value of €16.8m.

In relation to the €18.7m prepayments made in 2019 relating to future acquisitions, €18.0m is attributable to 2020 acquisitions with the €0.7m remaining prepayment for acquisitions yet to be completed.

29. Business combinations (continued)

From the date of acquisition, the acquired businesses have contributed **€23.8m** of revenue and **€1.6m** of profit after taxation attributable to owners of the parent to the Group. If the acquisition dates had been on the first day of the financial year, the acquired businesses would have contributed **€75.0m** of revenue and **€5.3m** of profit after taxation attributable to owners of the parent to the Group.

The following acquisitions were completed by the Group during 2020:

Acquisition	Acquired	Principal activity
Tecnispice, S.A.	April	Tecnispice, located in Guatemala, is a leading savoury taste business serving the meat and snacks markets incorporating spices, herbs and seasonings. Global Spice, a sister company of Tecnispice, based in Costa Rica was also acquired as part of this transaction.
Bio-K Plus International Inc.	October	Bio-K+, based in Canada, is a leading biotechnology company with probiotics in beverage and supplement applications.
Shandong Tianbo Food Ingredients Co., Ltd	November	Shandong Tianbo (Jining Nature Group) is a leading manufacturer of savoury flavours and seasonings serving the meat, snacks and meals markets, based in China.

30. Contingent liabilities

	2020 €'m	2019 €'m
Company:		
(i) Guarantees in respect of borrowings of subsidiaries	2,474.9	2,521.2

(ii) For the purposes of Section 357 of the Companies Act, 2014, the Company has undertaken by Board resolution to indemnify the creditors of its subsidiaries incorporated in the Republic of Ireland, as set out in note 35, in respect of all amounts shown as liabilities or commitments in the statutory financial statements as referred to in Section 357 (1) (b) of the Companies Act, 2014 for the financial year ending on 31 December 2020 or any amended financial period incorporating the said financial year. All other provisions of Section 357 have been complied with in this regard. The Company has given similar indemnities in relation to its subsidiaries in Germany (section 264-289 and 325-329 of the Commercial Code), Luxembourg (Article 70 of the Luxembourg law of 19 December 2002 as amended) and Netherlands (Article 2:403 of the Dutch Civil Code), as set out in note 35. In addition, the Company has also availed of the exemption from filing subsidiary financial statements in Luxembourg, Germany, Netherlands and Ireland.

The Company does not expect any material loss to arise from these guarantees and considers their fair value to be negligible.

31. Other financial commitments

Commitments for the acquisition of property, plant, equipment and computer software at 31 December for which no provision has been made in the accounts are as follows:

	2020 €'m	2019 €'m
Group:		
Commitments in respect of contracts placed	67.0	109.1
Expenditure authorised by the Directors but not contracted for at the financial year end	152.2	115.5
	219.2	224.6

32. Related party transactions

(i) Trading with Directors

In their ordinary course of business as farmers, certain Directors have traded on standard commercial terms with the Group's Agribusiness division. Aggregate purchases from, and sales to, these Directors amounted to **€0.2m** (2019: €0.2m) and **€0.1m** (2019: €0.1m) respectively. The trading balance outstanding to the Group at the financial year end was **€nil** (2019: €nil).

All transactions with Directors were on standard commercial terms. No expense has been recognised in the financial year for bad or doubtful debts in respect of amounts owed by Directors.

(ii) Trading between Parent Company and subsidiaries

Transactions in the financial year between the Parent Company and its subsidiaries included dividends received of **€179.0m** (2019: €172.5m), cost recharges of **€14.7m** (2019: €19.0m), and trade and other receivables of **€165.0m** (2019: €135.8m). The Parent Company has also provided a guarantee in respect of borrowings of subsidiaries which is disclosed in note 30.

(iii) Trading with joint ventures

Details of transactions and balances outstanding with joint ventures are as follows:

	Rendering of services		Sale of goods		Amounts receivable/ (payable) at 31 December	
	2020 €'m	2019 €'m	2020 €'m	2019 €'m	2020 €'m	2019 €'m
Joint ventures	0.1	0.1	1.8	0.4	(0.2)	(0.2)

These trading transactions are undertaken and settled at normal trading terms.

(iv) Trading with other related parties

As detailed in the Directors' Report, Kerry Co-operative Creameries Limited is considered to be a related party of the Group as a result of its significant shareholding in the Parent Company. During 2020, dividends of **€18.0m** (2019: €17.3m) were paid to Kerry Co-operative Creameries Limited based on its shareholding. A subsidiary of Kerry Group plc traded product to the value of **€0.1m** (2019: €0.1m) on behalf of Kerry Co-operative Creameries Limited.

(v) Transactions with key management personnel

The Board of Directors are deemed to be key management personnel of Kerry Group plc as they are responsible for planning, directing and controlling the activities of the Group.

In addition to their salaries and short-term benefits, the Group also contributes to post-retirement defined benefit, defined contribution and saving plans on behalf of the Executive Directors (note 25). The Directors also participate in the Group's Long-Term Incentive Plan (LTIP) (note 27).

Remuneration cost of key management personnel is as follows:

	2020 €'m	2019 €'m
Short-term benefits (salaries, fees and other short-term benefits)	3.9	6.7
Post-retirement benefits	0.6	0.5
LTIP accounting charge	1.0	2.3
Other long-term benefits	-	-
Termination benefits	-	-
Total	5.5	9.5

Retirement benefit charges of **€0.2m** (2019: €0.2m) arise under a defined benefit scheme relating to 1 Director (2019: 1 Director) and charges of **€0.3m** (2019: €0.3m) arise under a defined contribution scheme relating to 2 Directors (2019: 2 Directors). The LTIP accounting charge above is determined in accordance with the Group's accounting policy for share-based payments.

Post-retirement benefits in the above table and the statutory and listing rules disclosure in respect of pension contributions in the Executive Directors' remuneration table in the remuneration report are determined on a current service cost basis.

The aggregate amount of gains accruing to Executive Directors on the exercise of share options is **€nil** (2019: €nil). Dividends totalling **€0.1m** (2019: €0.1m) were also received by key management personnel during the financial year, based on their personal interests in the shares of the company.

33. Events after the balance sheet date

Since the financial year end, the Group has proposed a final dividend of **60.60 cent** per A ordinary share (note 10).

There have been no other significant events, outside the ordinary course of business, affecting the Group since 31 December 2020.

34. Reserves

Fair value through other comprehensive income reserve (FVOCI)

The fair value through other comprehensive income reserve represents the unrealised gains and losses on the financial assets held at fair value through other comprehensive income by the Group.

Capital redemption reserve

Capital redemption reserve represents the nominal cost of the cancelled shares in 2007.

Other undenominated capital

Other undenominated capital represents the amount transferred to reserves as a result of renominating the share capital of the Parent Company due to the euro conversion in 2002.

Share-based payment reserve

The share-based payment reserve relates to invitations made to employees to participate in the Group's Long-Term Incentive Plan and the element of the Group's Short-Term Incentive Plan that is settled in shares/share options. Further information in relation to this share-based payment is set out in note 27.

Translation reserve

Exchange differences relating to the translation of the balance sheets of the Group's foreign currency operations from their functional currencies to the Group's presentation currency (euro) are recognised directly in other comprehensive income and accumulated in the translation reserve.

Hedging reserve

The hedging reserve represents the effective portion of gains and losses on hedging instruments from the application of cash flow hedge accounting for which the underlying hedged transaction is not impacting profit or loss. The cumulative deferred gain or loss on the hedging instrument is reclassified to profit or loss only when the hedged transaction affects the profit or loss.

Cost of hedging reserve

The cost of hedging reserve arises from where the Group has entered into cross currency interest rate swaps. Such cross currency interest rate swaps have basis risk as there are characteristics in the cross currency interest rate swap contracts that are not present in the hedged item, being currency basis spreads.

Retained earnings

Retained earnings refers to the portion of net income, which is retained by the Group rather than distributed to shareholders as dividends.

35. Group entities

Principal subsidiaries and joint venture undertakings

Country	Company Name	Nature of Business	Registered Office
Ireland	Accommodation Tralee Limited	Investment	1
	Ballyfree Farms Limited	Consumer Foods	1
	Breeo Brands Limited	Consumer Foods	1
	Breeo Foods Limited	Consumer Foods	1
	Carteret Investments Unlimited Company	Investment	1
	Cuarto Limited	Taste & Nutrition	1
	Dawn Dairies Limited	Consumer Foods	1
	Denny Foods Limited	Investment	1
	Duffy Meats Limited	Consumer Foods	1
	Fambee Limited	Consumer Foods	1
	Glenealy Farms (Turkeys) Limited	Consumer Foods	1
	Golden Vale Clare Limited	Investment	1
	Golden Vale Dairies Limited	Agribusiness	1
	Golden Vale Food Products Unlimited Company	Investment	1
	Golden Vale Holdings Limited	Investment	1
	Golden Vale Investments Limited	Investment	1
	Golden Vale Limited	Investment	1
	Grove Farm Limited	Investment	1
	Helios Limited	Investment	1
	Henry Denny & Sons (Ireland) Limited	Consumer Foods	1
	Ichor Management Limited	Investment	1
	Ivernia Pig Developments Limited	Consumer Foods	1
	Kerry Agri Business Holdings Limited	Investment	1
	Kerry Agri Business Trading Limited	Agribusiness	1
	Kerry Creameries Limited	Agribusiness	1
	Kerry Food Ingredients (Cork) Limited	Taste & Nutrition	1
	Kerry Foods Limited	Consumer Foods	1
	Kerry Group Business Services Limited	Services	1
	Kerry Group Financial Services Unlimited Company	Services	1
	Kerry Group Finance International Limited	Services	1
	Kerry Group Services International Limited	Services	1
	Kerry Group Services Limited	Services	1
	Kerry Health and Nutrition Institute Limited	Taste & Nutrition	1
	Kerry Holdings (Ireland) Limited	Investment	1
	Kerry Ingredients & Flavours Limited	Taste & Nutrition	1
	Kerry Ingredients (Ireland) Limited	Taste & Nutrition	1
	Kerry Ingredients Holdings (Ireland) Limited	Investment	1
	Kerry Taste & Nutrition (Ireland) Limited	Taste & Nutrition	1
	Kerry Treasury Services Limited	Services	1
	Kerry Van Sales (Ireland) Limited	Consumer Foods	1
	Kerrykream Limited	Consumer Foods	1
	Lifeforce Foods Research Limited	Investment	1

35. Group entities (continued)**Principal subsidiaries and joint venture undertakings** (continued)

Country	Company Name	Nature of Business	Registered Office
Ireland	Linovalé Limited	Investment	1
	Maddens Milk Limited	Investment	1
	National Food Ingredients Limited	Taste & Nutrition	1
	Newmarket Co-operative Creameries Limited	Taste & Nutrition	1
	Plassey Holdings Limited	Investment	1
	Princemark Holdings Designated Activity Company	Services	1
	Putaxy Limited	Investment	1
	Rye Developments Limited	Services	1
	Rye Investments Limited	Consumer Foods	1
	Rye Valley Foods Limited	Consumer Foods	1
	Selamor Limited	Consumer Foods	1
	Tacna Investments Limited	Investment	1
	William Blake Limited	Taste & Nutrition	1
	Zenbury International Limited	Services	1
UK	Henry Denny & Sons (N.I.) Limited	Consumer Foods	2
	Dairy Produce Packers Limited	Consumer Foods	2
	Golden Cow Dairies Limited	Consumer Foods	2
	Golden Vale (NI) Limited	Investment	2
	Leckpatrick Dairies Limited	Consumer Foods	2
	Leckpatrick Holdings Limited	Investment	2
	RVF (UK) Limited	Consumer Foods	2
	Kerry Foods Limited	Consumer Foods	3
	Kerry Holdings (U.K.) Limited	Investment	3
	Kerry Savoury Foods Limited	Consumer Foods	3
	Noon Group Limited	Consumer Foods	3
	Noon Products Limited	Consumer Foods	3
	Oakhouse Foods Limited	Consumer Foods	3
	Rollover Holdings Limited	Consumer Foods	3
	Rollover Group Limited	Consumer Foods	3
	Rollover Limited	Consumer Foods	3
	Tarafield Limited	Investment	3
	E B I Foods Limited	Taste & Nutrition	4
	Gordon Jopling (Foods) Limited	Taste & Nutrition	4
	Kerry Ingredients (UK) Limited	Taste & Nutrition	4
	Kerry Ingredients Holdings (U.K.) Limited	Investment	4
	Titusfield Limited	Taste & Nutrition	4
	Kerry Flavours UK Limited	Taste & Nutrition	4
Belgium	Kerry Holdings Belgium NV	Taste & Nutrition	5
Netherlands	Kerry (NL) B.V.	Taste & Nutrition	6
	Kerry Group B.V.	Investment	6
	Proparent B.V. (55% shareholding)	Taste & Nutrition	7

35. Group entities (continued)**Principal subsidiaries and joint venture undertakings** (continued)

Country	Company Name	Nature of Business	Registered Office
Czech Republic	Kerry Ingredients & Flavours S.R.O.	Taste & Nutrition	8
France	Kerry Ingredients France SAS	Taste & Nutrition	9
	Kerry Ingredients Holdings France SAS	Investment	9
	Kerry Savoury Ingredients France SAS	Taste & Nutrition	9
	Kerry Flavours France SAS	Taste & Nutrition	10
Germany	Kerry Food GmbH	Taste & Nutrition	11
	Kerry Ingredients GmbH	Taste & Nutrition	11
	SuCrest GmbH	Taste & Nutrition	12
	Vicos Nahrungsmittel GmbH	Taste & Nutrition	12
	Red Arrow Handels GmbH	Taste & Nutrition	13
Belarus	Unitary Manufacturing Enterprise 'Vitella'	Taste & Nutrition	14
Denmark	Crema Ingredients A/S	Taste & Nutrition	15
Italy	Kerry Ingredients & Flavours Italia S.p.A.	Taste & Nutrition	16
Poland	Kerry Polska Sp. z o.o.	Taste & Nutrition	17
Hungary	Kerry Hungaria Kft	Taste & Nutrition	18
Luxembourg	Kerry Luxembourg S.a.r.l.	Services	19
	Zenbury International Limited S.a.r.l.	Services	19
Romania	Kerry Romania s.r.l.	Taste & Nutrition	20
Russia	Kerry Limited Liability Company	Taste & Nutrition	21
Spain	Kerry Iberia Taste & Nutrition S.L.U.	Taste & Nutrition	22
	Harinas y Sémolas del Noroeste S.A.U.	Taste & Nutrition	23
	Pevesa Biotech S.A.U.	Taste & Nutrition	24
Slovakia	Dera SK S.R.O.	Taste & Nutrition	25
Sweden	Tarber AB	Taste & Nutrition	26
Ukraine	Kerry Ukraine LLC	Taste & Nutrition	27
USA	Kerry Holding Co.	Investment	28
	Kerry Inc.	Taste & Nutrition	28
	Ganeden Biotech, Inc.	Taste & Nutrition	29
	Insight Beverages, Inc.	Taste & Nutrition	30
	Fleischmann's Vinegar Company, Inc.	Taste & Nutrition	31
	Kerry Stock & Broth Company Inc.	Taste & Nutrition	32
Canada	Kerry (Canada) Inc.	Taste & Nutrition	33
	Bio-K Plus International Inc.	Taste & Nutrition	34
Mexico	Kerry Ingredients (de Mexico) S.A. de C.V.	Taste & Nutrition	35
Brazil	Kerry do Brasil Ltda.	Taste & Nutrition	36
	Kerry da Amazonia Ingredientes e Aromas Ltda.	Taste & Nutrition	37
Costa Rica	Baltimore Spice Central America S.A.	Taste & Nutrition	38
	Global Spice S.A.	Taste & Nutrition	39
Chile	Kerry Chile Ingredientes, Sabores Y Aromas Ltda.	Taste & Nutrition	40
Colombia	Kerry Ingredients & Flavours Colombia S.A.S.	Taste & Nutrition	41
Panama	Kerry Panamá S.A.	Taste & Nutrition	42
	Tecnispice Corp	Taste & Nutrition	43

35. Group entities (continued)**Principal subsidiaries and joint venture undertakings** (continued)

Country	Company Name	Nature of Business	Registered Office
Guatemala	Baltimore Spice Guatemala S.A.	Taste & Nutrition	44
	Aromaticos de Centroamerica S.A.	Taste & Nutrition	45
	Tecnispice S.A.	Taste & Nutrition	46
El Salvador	Baltimore Spice de El Salvador S.A. de C.V.	Taste & Nutrition	47
	Aromaticos de Centro America S.A. de C.V.	Taste & Nutrition	47
Thailand	Kerry Ingredients (Thailand) Limited	Taste & Nutrition	48
Philippines	Kerry Food Ingredients (Philippines), Inc.	Taste & Nutrition	49
	Kerry Manufacturing (Philippines), Inc.	Taste & Nutrition	50
Singapore	Kerry Ingredients (S) PTE Limited	Taste & Nutrition	51
Malaysia	Kerry Ingredients (M) Sdn. Bhd.	Taste & Nutrition	52
	Kerry Group Business Services (ASPAC) Sdn. Bhd.	Taste & Nutrition	52
Japan	Kerry Japan Kabushiki Kaisha	Taste & Nutrition	53
China	Kerry Food Ingredients (Hangzhou) Co. Ltd	Taste & Nutrition	54
	Kerry Ingredients Trading (Shanghai) Co. Ltd	Taste & Nutrition	55
	Kerry Foods (Nantong) Co Limited	Taste & Nutrition	56
	TianNing Flavour & Fragrance (Jiangsu) Co., Ltd	Taste & Nutrition	57
	Zhejiang Hangmai Food Technologies Co. Ltd	Taste & Nutrition	58
	SIAS (Dachang) Food Co., Ltd	Taste & Nutrition	59
	Shandong Tianbo Food Ingredients Co., Ltd	Taste & Nutrition	60
Egypt	Kerry Egypt LLC	Taste & Nutrition	61
Indonesia	PT Kerry Ingredients Indonesia	Taste & Nutrition	62
India	Kerry Ingredients India Private Limited	Taste & Nutrition	63
Australia	Kerry Ingredients Australia Pty Limited	Taste & Nutrition	64
New Zealand	Kerry Ingredients (NZ) Limited	Taste & Nutrition	65
Kenya	Kerry Kenya Limited	Taste & Nutrition	66
South Africa	Kerry Ingredients South Africa (Proprietary) Limited	Taste & Nutrition	67
	Season to Season Flavour Manufacturers (Pty) Limited	Taste & Nutrition	68
South Korea	Kerry Ingredients Korea LLC	Taste & Nutrition	69
	Jungjin Food Co. Limited	Taste & Nutrition	70
Saudi Arabia	AATCO Food Industries LLC	Taste & Nutrition	71
Oman	AATCO Food Industries LLC	Taste & Nutrition	72
Vietnam	Kerry Taste & Nutrition (Vietnam) Company Limited	Taste & Nutrition	73
UAE	Kerry MENAT DMCC	Taste & Nutrition	74

Notes

- (a) All group entities are wholly owned subsidiaries unless otherwise stated.
- (b) Country represents country of incorporation and operation. Ireland refers to the Republic of Ireland.
- (c) With the exception of the USA, Canadian and Mexican subsidiaries, where the holding is in the form of common stock, all holdings are in the form of ordinary shares.

35. Group entities (continued)

Registered Office

- 1 Prince's Street, Tralee, Co Kerry, V92 EH11, Ireland.
- 2 Millburn Road, Coleraine, Northern Ireland BT52 1QZ, United Kingdom.
- 3 Thorpe Lea Manor, Thorpe Lea Road, Egham, Surrey TW20 8HY, United Kingdom.
- 4 Kerry, Bradley Road, Royal Portbury Dock, Bristol BS20 7NZ, United Kingdom.
- 5 Havenlaan 86C, Bus 204, 1000 Brussels, Belgium.
- 6 Maarssenbroeksedijk 2a, 3542 DN Utrecht, Netherlands.
- 7 Cunerauweg 9c, 4051 CE, Ochten, Netherlands.
- 8 Jindřišská 937/16, Nové Město, 110 00 Praha 1, Czech Republic.
- 9 43 Rue Louis Pasteur, 62575 Blendecques, France.
- 10 Zone Industrielle du Plan, BP 82067, 06131 Grasse, CEDEX, France.
- 11 Hauptstrasse 22-26, D-63924 Kleinheubach, Germany.
- 12 Neckarstraße 9, 65239 Hochheim/Main, Germany.
- 13 Hanna-Kunath-Strasse 25, 28199, Bremen, Germany.
- 14 P. Brovki Str., 44 210039 Vitebsk, Belarus.
- 15 Toftegardsvej 3, DK-5620, Glamsbjerg, Denmark.
- 16 Via Capitani di Mozzo 12/16, 24030 Mozzo, Bergamo, Italy.
- 17 Ul. Zagnanska 97A, 25-558 Kielce, Kielce, Poland.
- 18 Dévai utca 26-28, Budapest, H-1134, Hungary.
- 19 17 Rue Antoine Jans, Luxembourg L-1820, Luxembourg.
- 20 Biroul Nr.5, Etaj 5, Nr. 4D, Corp C, Strada Gara Herastrau, București Sectorul 2, Romania.
- 21 RigaLand Business Centre, 26 km Baltiya Highway, Krasnogorskiy District, 143421, Moscow, Russia.
- 22 Calle Coto de Doñana, 15, 28320 Pinto, Madrid, Spain.
- 23 Polígono Industrial de las Gándaras de Budino, O Porrino, Pontevedra, Spain.
- 24 Avda de la Industria s/n, Visos del Alcor, Seville, Spain.
- 25 Hodžovo námestie 1A, Bratislava, 811 06, Slovakia.
- 26 Box 1420 - Frejgatan 13, 114 79 Stockholm, Sweden.
- 27 Office 2-301, build 2, Ave Ohtyrsky 7, Kiev, Ukraine.
- 28 3400 Millington Road, Beloit WI 53511, United States.
- 29 5800 Landerbrook Drive, Suite 300, Mayfield Heights OH 44124, United States.
- 30 635 Oakwood Road, Lake Zurich IL 60047, United States.
- 31 12604 Hiddencreek Way # Suite A, Cerritos, CA 90703, United States.
- 32 1711 North Liberty Street, Harrisonburg VA 22802, United States.
- 33 615 Jack Ross Avenue Woodstock ON N4S 8A4, Canada.
- 34 1000 De La Gauchetière Street West, Suite 2100, Montréal Québec H3B 4W5, Canada.
- 35 Carretara Panamericana, Irapuato-Salamanca Km 11.2, Apartado Postal 789, Guanajuato, 36660, Mexico.
- 36 Avenida Mercedes Benz 460, Distrito Industrial, Campinas, Sao Paulo, 13054-750, Brazil.
- 37 Rua Hidra 188, Santo Agostinho, Manaus, 69036-520, Brazil.
- 38 Liceo de Pavas 200 mts West, 100 Norte Zip Code 10909, San José, Costa Rica.
- 39 De la esquina noreste fabrica BTICINO, 50 mts al este, edificio a mano izquierda, San Jose, Costa Rica.
- 40 C.M. El Trovador No. 4280, Of 1205, Las Condes, Suc. Cerro Portezuelo 9901, Quilicura, Santiago, Chile.
- 41 Carrera 7 No 71-52, Torre A Piso 5, Bogota, Colombia.
- 42 Parque Industrial Costa del Este, Calle Avenida Principal y 3ra Lote 88. Corregimiento, Parque Lefevre 0819-01869, Panama.

35. Group entities (continued)**Registered Office** (continued)

- 43 Distrito Panama, Provincia Panama, Panama.
- 44 Avenida Petapa 52-20, Zona 12, Guatemala, Guatemala.
- 45 23 Avenida 34-61, Zona 12, Colonia Santa Elisa, Ciudad de Guatemala, CP. 01012, Guatemala.
- 46 Kilómetro 26.5 carretera al pacifico, paso a desnivel, entrada a Amatitlán, Guatemala.
- 47 2 Calle Oriente Avenida Melvin Jones, Local 14, Centro Comercial Argoz, Santa Tecla, La Libertad, El Salvador.
- 48 No 618, Moo 4, Bangpoo Industrial Estate, Praksa Sub District, Muang District, Samutprakarn Province, Thailand.
- 49 Room 406, Cebu Business & Investments Consultants, 4th Floor, Tulips Centre, AS Fortuna Street, Mandaune City, Cebu, 6014, Philippines.
- 50 8/F The W Fifth Avenue Building, Fifth Avenue , Bonifacio Global City, Taguig, Philippines.
- 51 8 Biomedical Grove, #02-01/04 Neuros, Singapore 138665, Singapore.
- 52 Suite 1301, 13th Floor, City Plaza, Jalan Tebrau, 80300 Johor Bahru, Johor, Malaysia.
- 53 Kamiyacho Sankei Building. 2F, 1-7-2, Azabudai 1-chome, Minato-ku, Tokyo 106-0041, Japan.
- 54 Renhne Industry Zone, Jiulong Village, Hangzhou, China.
- 55 Room 311, Floor 3, Building 1, No 239 Gang-Ao Road, Pilot Free Trade Zone, Shanghai, China.
- 56 North side of Xiangjiang Road, Rudong County, Nantong City, China.
- 57 Dujiashan, Huayang County, Jurong, Jiangsu Province, 212425, China.
- 58 26 Tai Ping Qiao Industry Park, Xin'an, Deqing County, Zhejiang Province, China.
- 59 North side of XinYe Road, West side of LiDaXian, DaChang Industrial District, LangFang City, HeBei Province, China.
- 60 No.6 Haichuan Road, Jiezhuang Street, Hi-tech Zone, Jining, Shandong Province, China.
- 61 Olympic Building, Ramsis Extension St., ext 6th District, Nasr City, Cairo, Egypt.
- 62 JL Industri Utama Blok SS No. 6, Jababeka II Mekarmukti, Cikarang Utara, Bekasi 17520, Indonesia.
- 63 Unit No. 302, 3rd Floor, Ecospace Campus 3B, Marathahalli – Sarjapur Outer Ring Road, Bellandur, Bangalore – 560103, Karnataka, India.
- 64 No 8 Holker Street, Newington, NSW 2127, Australia.
- 65 11-13 Bell Avenue, Otahuhu, Auckland, New Zealand.
- 66 Avocado Towers, L.R. No 209/1907, Muthithi Road, Nairobi, 00100, Kenya.
- 67 Block 3 Nguni Park, 4-6 Lucas Drive, Hillcrest, Durban, Kwazulu-Natal, 3610, South Africa.
- 68 Stand 372, Angus Crescent, Northlands Business Park, Northriding, 2164, South Africa.
- 69 9th Fl., Sheenbang Bldg, 1366-18, Seocho-dong, Seocho-Gu, Seoul, 137-863, Republic of Korea.
- 70 #82 Yuolgum-5gil, Sunghwan-eup, Cheonan-si, Choongchungnam-do, Republic of Korea.
- 71 PO Box Number: 42511, PC 21551, Jeddah, Al Mehjar, 2nd Industrial City-Jeddah-Kin, Saudi Arabia.
- 72 PO Box 793, P.C-112, Muscat, Sultanate of Oman, Oman.
- 73 Me Linh Point Tower, 2 Ngo Duc De Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam.
- 74 Unit No: AG -- GF - 01, AG Tower, Plot No: JLT-PH1-I1A, Jumeirah Lakes Towers, Dubai, United Arab Emirates.

SUPPLEMENTARY INFORMATION

Financial Definitions

(NOT COVERED BY INDEPENDENT AUDITORS' REPORT)

1. Revenue

Volume performance

This represents the sales performance year-on-year, excluding pass-through pricing on raw material costs, currency impacts, acquisitions (net of disposals) and rationalisation volumes.

Volume performance is an important metric as it is seen as the key driver of top-line business improvement. This is used as the key revenue metric, as Kerry operates a pass-through pricing model with its customers to cater for raw material price fluctuations. Pricing therefore impacts like-for-like revenue performance positively or negatively depending on whether raw material prices move up or down. A full reconciliation to reported revenue performance is detailed in the revenue reconciliation below.

Revenue Reconciliation

2020	Volume performance	Price	Transaction currency	Acquisitions/ Disposals	Translation currency	Reported revenue performance
Taste & Nutrition	(3.0%)	0.1%	(0.1%)	1.2%	(2.6%)	(4.4%)
Consumer Foods	(2.6%)	1.2%	-	-	(0.7%)	(2.1%)
Group	(2.9%)	0.3%	(0.1%)	1.0%	(2.3%)	(4.0%)
2019						
Taste & Nutrition	4.0%	0.1%	-	5.8%	2.6%	12.5%
Consumer Foods	(2.2%)	(0.5%)	-	-	0.3%	(2.4%)
Group	2.8%	-	-	4.7%	2.1%	9.6%

2. EBITDA

EBITDA represents profit before finance income and costs, income taxes, depreciation (net of capital grant amortisation), intangible asset amortisation and non-trading items.

	2020 €'m	2019 €'m
Profit after taxation attributable to owners of the parent	554.1	566.5
Finance income	(0.2)	(0.3)
Finance costs	72.6	81.9
Income taxes	81.2	79.4
Non-trading items	19.4	110.9
Intangible asset amortisation	70.1	64.3
Depreciation (net of capital grant amortisation)	200.7	191.4
EBITDA	997.9	1,094.1

3. Trading Profit

Trading profit refers to the operating profit generated by the businesses before intangible asset amortisation and gains or losses generated from non-trading items. Trading profit represents operating profit before specific items that are not reflective of underlying trading performance and therefore hinder comparison of the trading performance of the Group's businesses, either year-on-year or with other businesses.

	2020 €'m	2019 €'m
Operating profit	707.7	727.5
Intangible asset amortisation	70.1	64.3
Non-trading items	19.4	110.9
Trading profit	797.2	902.7

4. Trading Margin

Trading margin represents trading profit, expressed as a percentage of revenue.

	2020 €'m	2019 €'m
Trading profit	797.2	902.7
Revenue	6,953.4	7,241.3
Trading margin	11.5%	12.5%

5. Operating Profit

Operating profit is profit before income taxes, finance income and finance costs.

	2020 €'m	2019 €'m
Profit before taxation	635.3	645.9
Finance income	(0.2)	(0.3)
Finance costs	72.6	81.9
Operating profit	707.7	727.5

6. Adjusted Earnings Per Share and Performance in Adjusted Earnings Per Share on a Constant Currency Basis

The performance in adjusted earnings per share on a constant currency basis is provided as it is considered more reflective of the Group's underlying trading performance. Adjusted earnings is profit after taxation attributable to owners of the parent before brand related intangible asset amortisation and non-trading items (net of related tax). These items are excluded in order to assist in the understanding of underlying earnings. A full reconciliation of adjusted earnings per share to basic earnings is provided below. Constant currency eliminates the translational effect that arises from changes in foreign currency year-on-year. The performance in adjusted earnings per share on a constant currency basis is calculated by comparing current year adjusted earnings per share to the prior year adjusted earnings per share retranslated at current year average exchange rates.

	2020 EPS cent	2019 EPS cent
Basic earnings per share	313.0	320.4
Brand related intangible asset amortisation	23.6	21.4
Non-trading items (net of related tax)	8.8	51.9
Adjusted earnings per share	345.4	393.7
Impact of retranslating prior year adjusted earnings per share at current year average exchange rates	-	(12.3)
Adjusted earnings per share on a constant currency basis	345.4	381.4
Performance in adjusted earnings per share on a constant currency basis	(9.4%)	8.3%

7. Free Cash Flow

Free cash flow is trading profit plus depreciation, movement in average working capital, capital expenditure, payment of lease liabilities, pensions costs less pension expense, finance costs paid (net) and income taxes paid.

Free cash flow is seen as an important indicator of the strength and quality of the business and of the availability to the Group of funds for reinvestment or for return to shareholders. Movement in average working capital is used when calculating free cash flow as management believes this provides a more accurate measure of the increase or decrease in working capital needed to support the business over the course of the year rather than at two distinct points in time and more accurately reflects fluctuations caused by seasonality and other timing factors. Average working capital is the sum of each month's working capital over 12 months. Below is a reconciliation of free cash flow to the nearest IFRS measure, which is 'Net cash from operating activities'.

	2020 €'m	2019 €'m
Net cash from operating activities	672.2	763.9
Difference between movement in monthly average working capital and movement in the financial year end working capital	6.2	(25.6)
Expenditure on acquisition integration and restructuring costs	39.7	89.1
Purchase of assets	(276.2)	(315.6)
Payment of lease liabilities	(37.0)	(35.5)
Proceeds from the sale of property, plant and equipment	2.4	32.8
Capital grants received	0.1	3.0
Exchange translation adjustment	4.6	2.5
Free cash flow	412.0	514.6

8. Cash Conversion

Cash conversion is defined as free cash flow, expressed as a percentage of adjusted earnings after taxation.

	2020 €'m	2019 €'m
Free cash flow	412.0	514.6
Profit after taxation attributable to owners of the parent	554.1	566.5
Brand related intangible asset amortisation	41.7	37.8
Non-trading items (net of related tax)	15.5	91.7
Adjusted earnings after taxation	611.3	696.0
Cash Conversion	67%	74%

9. Financial Covenants

The Net debt: EBITDA and EBITDA: Net interest ratios disclosed are calculated in accordance with lenders' facility agreements using an adjusted EBITDA, adjusted finance costs (net of finance income) and an adjusted net debt value to adjust for the impact of non-trading items, acquisitions net of disposals and deferred payments in relation to acquisitions. As outlined on page 198, these ratios are calculated in accordance with lenders' facility agreements and these agreements specifically require these adjustments in the calculation.

	Covenant	2020 Times	2019 Times
Net debt: EBITDA	Maximum 3.5	1.9	1.8
EBITDA: Net interest	Minimum 4.0	13.8	13.2

10. Average Capital Employed

Average capital employed is calculated by taking an average of the shareholders' equity and net debt - pre lease liabilities over the last three reported balance sheets plus an additional €527.8m relating to goodwill written off to reserves pre conversion to IFRS.

	2020 €'m	H1 2020 €'m	2019 €'m	H1 2019 €'m	2018 €'m
Shareholders' equity	4,655.5	4,508.5	4,562.2	4,186.5	4,034.4
Goodwill amortised (pre conversion to IFRS)	527.8	527.8	527.8	527.8	527.8
Adjusted equity	5,183.3	5,036.3	5,090.0	4,714.3	4,562.2
Net debt - pre lease liabilities	1,863.6	1,996.4	1,862.8	1,918.2	1,623.5
Total	7,046.9	7,032.7	6,952.8	6,632.5	6,185.7
Average capital employed	7,010.8		6,590.3		

11. Return on Average Capital Employed (ROACE)

This measure is defined as profit after taxation attributable to owners of the parent before non-trading items (net of related tax), brand related intangible asset amortisation and finance income and costs expressed as a percentage of average capital employed.

	2020 €'m	2019 €'m
Profit after taxation attributable to owners of the parent	554.1	566.5
Non-trading items (net of related tax)	15.5	91.7
Brand related intangible asset amortisation	41.7	37.8
Net finance costs	72.4	81.6
Adjusted profit	683.7	777.6
Average capital employed	7,010.8	6,590.3
Return on average capital employed	9.8%	11.8%

12. Total Shareholder Return

Total shareholder return represents the change in the capital value of Kerry Group plc shares plus dividends in the financial year.

	2020	2019
Share price (1 January)	€111.10	€86.50
Interim dividend (cent)	25.9	23.5
Dividend paid (cent)	55.1	49.2
Share price (31 December)	€118.50	€111.10
Total shareholder return	7.4%	29.3%

13. Market Capitalisation

Market capitalisation is calculated as the share price times the number of shares issued.

	2020	2019
Share price (31 December)	€118.50	€111.10
Shares in issue ('000)	176,700.0	176,514.9
Market capitalisation (€'m)	20,939.0	19,610.8

14. Enterprise Value

Enterprise value is calculated as per external market sources. It is market capitalisation plus reported borrowings less total cash and cash equivalents.

15. Total Net Debt

Total net debt comprises borrowings and overdrafts, interest rate derivative financial instruments, lease liabilities and cash at bank and in hand. See full reconciliation of total net debt in note 22 to the financial statements on pages 195 to 197.

[illegible]

NOTES



Kerry Group

Prince's Street, Tralee,
Co. Kerry, V92 EH11, Ireland.
T: +353 66 718 2000

www.kerrygroup.com



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