

## RISK MANAGEMENT

Risk is an inherent part of business, especially as Design Group seeks to become more resilient in its performance going forward.

### Our risk management framework

#### Governance

Design Group operates a well-established structure for the management of risk, where responsibilities and ownership are clearly defined:

#### The Board

- Ownership and monitoring of risk management
- Evaluates the most significant strategic risks and sets risk objectives
- Determines overall risk appetite for the Group

#### Audit Committee

- Responsible for advising the Board on risk exposures
- Risk analysis both top down and bottom up
- Review of internal controls that help manage risks

#### Operating Board

- Responsible for the overview of management of key risks at business unit level
- Assessment of materiality of key risks

#### Group risk function

- Monitoring and collation of risks and actions by business unit management from across the Group
- Review and oversight of the Group's risk management process

#### Business units

- Identification, assessment and mitigation associated with key risks
- Day-to-day management of risks within the business units with focus on considering risk as part of decision-making and management of external relationships

### Risk strategy and appetite

As part of the risk management process each principal risk, as identified in the next few pages, is considered in the context of achieving the Group's strategy.

Risk appetite is an expression of the types and amount of risk that the Group is willing to take or accept to achieve its objectives. Our risk appetite has been set for each risk category at a Board level and ranges from minimal to open.

Our risk appetite is set to balance opportunities for growth and increased return, whilst maintaining our reputation and robust risk mitigation strategies. Determining our risk appetite allows us to make consistent and informed decisions across the Group in relation to key risks and helps ensure that they are managed within our tolerated levels of risk.

### Risk management approach

Design Group operates a decentralised model where risk management is embedded within strategic and operational decision-making. An overarching role is played by the Group team and the Board to ensure oversight in the risk management process.

Design Group's approach to risk management is bottom up, with each of our business units maintaining standardised risk registers for their territories, identifying key risks, monitoring them and determining mitigation plans for their businesses, whilst measuring against the Group's risk tolerance level alongside their own tolerances.

The risks are scored using a risk impact matrix which considers both financial and non-financial assessments to determine an overall score for each risk. Each principal risk is also evaluated against the Group's risk appetite and considered in the context of the Group's strategic objectives. All of this focuses the Group on where the higher risks sit and prioritises additional mitigation strategies that may be required.

The Group's risk management framework operates within a 'three lines of defence' assurances model. The first line of defence lies with the operational owners who are the teams within the business managing and mitigating risks as part of their operational model. The second line of defence is internal via corporate oversight, whereby individuals who are independent to the day-to-day operations perform a second layer review or verification of the mitigations and controls in place. The third line of defence is outsourced, providing the Audit Committee with independent assurance over the management of risks around the Group.

### Emerging risks

As part of the risk management process, we discuss and review emerging risk areas to determine whether they should be considered as principal risks and be actively monitored as a principal risk within the risk management process going forward. There are no emerging risks identified this year.

Principal risks

## Macroeconomic uncertainty

Global economic developments including political and social change may result in a significant impact on our business trading and operations which could affect our main cost areas of raw materials, freight and people

Pre-mitigation:  
**High**

→ Post-mitigation:  
**High**

### MITIGATION

- Diversification strategy in terms of regions and products
- Regular monitoring of the economic conditions in which we operate and impact analysis and response plans for significant changes to trade agreements utilising external specialists where necessary
- Innovation and product design to mitigate any increased costs of raw materials
- Maintaining open dialogue and strong relationships with our customers to allow for contract renegotiations where necessary

### Change:



#### Unchanged

This risk remains significant. There has been a succession of geopolitical events impacting our business: Covid-19, the Ukraine/ Russia conflict, and the cost of living crisis triggered by sudden high inflation. The impact of these span our suppliers, customers, consumers and workforce. Over the past twelve months the impact has been mitigated where possible, however the Group remains partially vulnerable to changes in the cost and availability of raw materials and freight which ultimately impact our margin.

Link to previous strategy:



## Consumers

Inability to identify and adapt to changing consumer behaviours and demand, resulting in reduction of revenue and margins

Pre-mitigation:  
**High**

→ Post-mitigation:  
**Medium**

### MITIGATION

- Continued focus on design, innovation, product quality and exceptional service including ongoing new product development to grow and improve sustainable product ranges
- Maintain a blended and diversified portfolio of products and customers, both by market segment and geography
- Close working relationships with key customers to be 'ahead of the curve' on trends they are implementing, as well as leveraging Group understanding of trends to share knowledge and ideas
- Annual budget and business review process including market developments

### Change:



#### Unchanged

This risk is significant with the current cost of living crisis and high inflation resulting in reduced consumer discretionary spend.

Link to previous strategy:



Key



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# RISK MANAGEMENT

## CONTINUED

### Principal risks continued

#### Strategy

A lack of appropriate corporate strategy (organic and M&A) could affect attainment of the Group's growth ambitions, leading to shareholder dissatisfaction

Pre-mitigation:

High



Post-mitigation:

Medium

#### MITIGATION

- Ongoing review of market opportunities and trends
- Regular Operating Board meetings to discuss business updates along with operational and strategic decisions
- Review and monitor long-term key performance indicators
- Maintaining regular open dialogue with major shareholders
- New growth-focused strategy has recently been developed and is being rolled out

#### Change:



Unchanged

New strategy requires embedding within the organisation.

Link to previous strategy:



#### Financing capacity

A loss of support from our principal banking partners restricting our ability to deliver on our strategy

Pre-mitigation:

High



Post-mitigation:

Medium

#### MITIGATION

- Continued ongoing communication with active shareholders
- Maintaining strong relationships and communication with existing banks
- An asset-backed lending facility, with two lending partners, better suited to financing our seasonal working capital
- Regular cash budgeting, forecasting and monitoring across the Group and senior management

#### Change:



Unchanged

The Group has secured a new financing arrangement to June 2026.

Link to previous strategy:



#### Financial control and insight

A failure in adherence with the Group's financial control framework and lack of insight into performance may result in financial under/over performance

Pre-mitigation:

Medium



Post-mitigation:

Medium

#### MITIGATION

- Group policy to hire qualified individuals into key financial roles
- Group financial policies in place in addition to minimum controls framework and bi-annual self certification of adherence to Group controls
- Regular communications with finance teams around the Group
- Business assurance third party review of key financial controls
- Regular forecasts and projections for the business

#### Change:



Unchanged

Link to previous strategy:



#### Key



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## Information security

Risk of a cyber attack resulting in significant business downtime, data loss or reputational damage

Pre-mitigation: **High**



Post-mitigation: **Medium**

### MITIGATION

- Policies, procedures and regular training for employees
- IT directors in each territory to ensure global best practice sharing
- Enhanced physical and logical security controls, in addition to appropriate network design and segregation
- SOC service and SIEM software

### Change:



Unchanged

Link to previous strategy:



## Climate change

An inability to effectively transition to a low-carbon economy or anticipate the physical effects of climate change which could lead to a disruption to business, reduced revenues, increased operating costs and reduced margins

Pre-mitigation: **Medium**



Post-mitigation: **Medium**

### MITIGATION

- Development of sustainable product ranges
- Investment in improvement to carbon footprint of operations
- Strategic plans to address climate change risk
- Engagement with key stakeholders

### Change:



Unchanged

Link to previous strategy:



## Supply chain and sourcing

An inability to access the right terms, quality and compliance from our suppliers alongside a lack of a resilient supply chain could lead to a loss of revenue and margin

Pre-mitigation: **Medium**



Post-mitigation: **Medium**

### MITIGATION

- Working closely with suppliers to maintain good relationships and limit cost impact
- Expansion and review of supplier base
- Regular supplier evaluation, audits and vendor due diligence, including commercial and legal risk review for new contracts
- Leveraging our sourcing offices in Asia to manage and maintain supply relationships

### Change:



Unchanged

Link to previous strategy:



#### Key



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# RISK MANAGEMENT

## CONTINUED

### Principal risks continued

## Manufacturing operations

An inability to deliver lowest cost manufacturing could restrict our competitive advantage

Pre-mitigation: **High** → Post-mitigation: **Medium**

### MITIGATION

- Monitor key operations performance indicators to give early indication of any disruption to plan
- Monitor and research to ensure best manufacturing or supply methods maintained
- Retaining high skilled staff with experience to manage any disruption
- Appropriate and regular maintenance/site risk assessments performed
- Group insurance policy for a range of operational risks

### Change:

↔  
Unchanged

Link to previous strategy:



## People

Inappropriate organisational design and talent strategy that cannot keep pace with the demands of the business leading to a failure to deliver business objectives

Pre-mitigation: **Medium** → Post-mitigation: **Medium**

### MITIGATION

- A focus on succession planning and building strong teams around key individuals in each business unit
- Appropriate review of executive and senior management remuneration packages
- Appropriate policies around hiring key team members focusing on qualifications and appropriate experience for the relevant role
- A focus on management development to improve competencies across the business
- Implementation of staff surveys, feedback and review meetings
- Implementation of cross-learning programmes to ensure all the senior management team understand other roles

### Change:

↔  
Unchanged

Link to previous strategy:



## Acquisition investment

Poorly executed M&A and a lack of post-acquisition integration management could affect the success of the Group's M&A strategy

Pre-mitigation: **High** → Post-mitigation: **Medium**

### MITIGATION

- Harmonisation plans for all acquisitions with regular reporting to a focused steering committee consisting of Executives alongside regular Board updates
- Investment in people and capital expenditure to realise synergies and harmonisation
- Reduced M&A agenda

### Change:

↔  
Unchanged

Link to previous strategy:



### Key



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## Governance and compliance

Increased legal and regulatory exposure across the numerous territories in which we operate with a heightened risk as a result of the decentralised nature of the business

## Service and quality

Loss of revenue and margin from key customers due to poor quality or performance having a bigger impact due to customer concentration

Pre-mitigation: **Medium**



Post-mitigation: **Medium**

Pre-mitigation: **Medium**



Post-mitigation: **Low**

### MITIGATION

- Policies and procedures for main risk areas, including a Code of Conduct signed by all employees and a whistleblowing hotline
- Group General Counsel and legal team in the US to aid with managing the Group's compliance globally, working with external legal advisers in regions as required
- Utilisation of specialist advisers where appropriate and necessary, as well as an outsourced internal audit business assurance function
- Open dialogue with relevant parties (e.g. tax authorities)

### MITIGATION

- Maintain strong relationships with customers alongside review and adherence to Service Level Agreements
- Ongoing rigour and tight controls in relation to product testing and compliance
- Maintain a diversified portfolio of products and customers with an additional focus on product innovation

### Change:



Unchanged

### Change:



Unchanged

Link to previous strategy:



Link to previous strategy:



#### Key



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