



# Principal Risks and Uncertainties

## Key for change since last year

▲ Increased ▼ Decreased ◀▶ No change

Risks and uncertainties	Mitigating actions taken	Change
<p><b>Climate change</b></p> <p><b>Risk/impact</b></p> <p>Potential to impact our supply chain and increase volatility in the prices of raw materials, and other supplies.</p> <p>Sudden climate change events, such as increased severe weather conditions and storms, could impact our supply chains and shipments, and business processes.</p> <p>Regulations increasing costs could be imposed on manufacturing, certain processes, fuels/goods used, impacting prices for products that customers require.</p>	<ul style="list-style-type: none"> <li>Improving partnerships and relationships in our supply chain to combat disruption and potential price increases</li> <li>Greater resilience and reduced direct shipment costs by using suppliers from different geographical locations</li> <li>Ensuring suppliers and logistics partners understand the risks of climate change</li> <li>Strategic buying of core products and careful stocking</li> <li>Development of targets for reducing our Scope 1, 2 and 3 greenhouse gas emissions</li> <li>Investment in new technology to manufacture new products to address the needs of climate change, with improved energy efficiency</li> <li>Our strategy includes helping customers address climate change, by selling and creating innovative products with sustainable qualities and eco-friendly credentials. Our products have energy saving and low carbon qualities that can be part of low carbon and net zero solutions</li> <li>Providing environmental data for our customers, employees, investors and stakeholders and developing End Producer Declarations for Alumasc-manufactured products</li> <li>Greater use of electric vehicles</li> </ul>	▲
<p><b>Geopolitical and macroeconomic uncertainty and conflict</b></p> <p><b>Risk/impact</b></p> <p>Macroeconomic uncertainty triggered by invasion, war, and conflicts on a global basis and global geopolitical uncertainty causing economic risk.</p> <p>Inflationary pressures on raw material, energy supplies and services, pay and other costs could impact our strategic ambition to increase organic growth.</p>	<ul style="list-style-type: none"> <li>Strategic positioning in export markets/sectors anticipated to grow faster than the UK construction market</li> <li>Constantly seeking new markets and receiving revenues from a variety of end-use construction markets – thus providing resilience</li> <li>Development of added value systems and solutions that are underpinned by legislation, building regulation and/or specified by architects and engineers</li> <li>Continuous development and introduction of innovative green products, systems, solutions, and services that are market leading and differentiated against the competition. The strength of our products and our specialist sales force, and our increased export sales help us outperform against difficult market conditions</li> <li>Increasing supply chain flexibility</li> <li>Limited exposure to currency risk, mainly the euro and US dollar. These exposures are for the most part hedged, with hedging percentages increased to manage potential foreign exchange volatility</li> <li>Robust management has ensured cost increases are passed on to customers</li> </ul>	▲
<p><b>Supply chain/inflation</b></p> <p><b>Risk/impact</b></p> <p>International supply chain risks increased following the pandemic and significant geopolitical uncertainty due to international tension and conflicts. The residual issue is price inflation, skilled staff shortages, increased tariffs/duties, post-Brexit risks in the EU and geopolitical uncertainty following the wars/conflicts in Ukraine and the Middle East.</p>	<ul style="list-style-type: none"> <li>Annual strategic reviews, including supplier, quality, reliability, and sustainability</li> <li>Brand and product strength has allowed cost increases to be largely recovered through higher prices</li> <li>Regular key supplier visits, good relationships maintained including quality control reviews and training. Opportunity to integrate/use/adopt cost efficient supply chains and raw material procurement from ARP Group Holdings Ltd (acquired December 2023)</li> <li>Supply chain flexibility to avoid strategic dependence on single sources of supply</li> <li>Supplier questionnaires and export checks are completed to ensure compliance with Group policies, including anti-bribery, anti-modern slavery and ESG</li> <li>Training provided on customs duties, particularly on managing evolving arrangements post Brexit</li> <li>In part offset by product innovation and increasing market share for these new products</li> </ul>	◀▶

## Principal Risks and Uncertainties continued

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<p><b>Cyber security and business interruption</b></p> <p><b>Risk/impact</b></p> <p>Cyber security risks and business interruption risks are increasing globally.</p> <p>The risk of a cyber threat from increased failure and/or ICT cyber-crime could cause interruption or loss of sales, market share and potentially damage our reputation for a reliable service.</p>	<ul style="list-style-type: none"> <li>IT disaster recovery plans are in place for all businesses and tested regularly</li> <li>Awareness training and management briefings held on cyber security risks and actions taken as preventative measures</li> <li>New security protocols and software are installed and continually updated to mitigate evolving cyber threats</li> <li>Cyber security reviews are conducted on a regular basis with our security partners</li> <li>Critical plant and equipment are identified, with associated breakdown/recovery plans in place</li> <li>Employee awareness of potential risks are mitigated through cyber security training and our layered system of network security against cyber-attacks and/or security breaches. Our infrastructure is always being reviewed</li> <li>Further systems are being implemented to improve resilience, support growth plans and drive efficiency. Implementation risks are mitigated via the use of third parties, qualified project managers, and increased user testing</li> </ul>	▲
<p><b>Credit risk</b></p> <p><b>Risk/impact</b></p> <p>The risk is that credit is extended, and customers are unable to settle invoices. The Group manages credit risks, and the contribution from the UK Government Export Credit Scheme for overseas opportunities has supported export opportunities.</p>	<ul style="list-style-type: none"> <li>Most credit risks are insured</li> <li>Large export contracts are backed by letters of credit, performance bonds, guarantees or similar, where possible</li> <li>Any risks taken above insured limits are subject to strict delegated authority limits</li> <li>Credit checks performed when accepting new customers/new work</li> <li>The Group employs experienced credit controllers and aged debt reports are reviewed at monthly subsidiary Board meetings</li> </ul>	◀▶
<p><b>Health &amp; Safety risks</b></p> <p><b>Risk/impact</b></p> <p>Health &amp; Safety incident/injury could occur despite a strong culture and previous performance. Consequential reputational risk and legal costs.</p>	<ul style="list-style-type: none"> <li>Health &amp; Safety and the wellbeing of staff is a core value of management and the first Board agenda item</li> <li>Health &amp; Safety commitment communicated to all levels of the business</li> <li>Risk assessments are carried out and safe systems of work documented and communicated</li> <li>Near-miss reporting and remediation is conducted at all sites</li> <li>All safety incidents and significant near misses are reported at Board level monthly, with appropriate remedial action taken</li> <li>Group Health &amp; Safety best practice days are held twice a year, chaired by the Chief Executive</li> <li>Annual external audits of Health &amp; Safety are conducted in all Group businesses by independent consultants and other specialist advisers</li> <li>Health &amp; Safety training is provided, and implementation is monitored, there has been a focus on increasing the number of staff being trained in Health &amp; Safety across the business</li> <li>Specific focus on improving safety of higher-risk operations, with external consultancy support as needed</li> </ul>	◀▶



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<p><b>Staff recruitment and retention risks</b></p> <p><b>Risk/impact</b> Potential lack of skilled employees and skilled people being available for recruitment and risk of loss due to wage inflation and the cost-of-living crisis impacting staff. Risk of not being able to take on/retain key skilled staff.</p>	<ul style="list-style-type: none"> <li>• Remuneration packages are appropriate to the position: staff are encouraged and supported to grow their careers through training and development</li> <li>• Remuneration Committee considers retention and motivation when considering the remuneration framework</li> <li>• Board and Executive Committee focus on staff retention and reward, supported by HR and external advice</li> <li>• Employee numbers and changes monitored in monthly subsidiary Board meetings</li> <li>• Competitive salaries offered, along with training and development opportunities</li> <li>• Retention plans for key, high-performing, and high-potential employees</li> <li>• Succession planning for key roles</li> </ul>	◀▶
<p><b>Product/service differentiation relative to competition not developed or maintained</b></p> <p><b>Risk/impact</b> Failure to innovate. New products are required to grow and maintain competitive advantage.</p>	<ul style="list-style-type: none"> <li>• A devolved operating model with both Group and local management responsible for developing a deep knowledge of our specialist markets and identifying opportunities and emerging market trends</li> <li>• Innovation best practice is planned at Group level and carried out more regularly in each business. New product ideas are discussed as part of the businesses' strategy</li> <li>• Annual Group strategy meetings encourage innovation and 'blue sky' thinking</li> <li>• New product introduction/development KPI used to monitor progress</li> <li>• Monitoring the market for potentially new and/or disruptive technologies</li> <li>• Customer feedback considered in the design and/or supply of additional products and services</li> <li>• Devolved structure allows an agile approach to business and an ability to meet increasing demand for products</li> <li>• Employed new product managers to help identify gaps in the market and to ensure we have a leading-edge portfolio of products and services</li> </ul>	◀▶
<p><b>Loss of key customers</b></p> <p><b>Risk/impact</b> The risk is the loss of markets or customers. Risk of loss of customers to competitors, project delays and reduced spending. Any deterioration of relationships with customers could adversely impact our revenue and impact our organic growth ambitions.</p>	<ul style="list-style-type: none"> <li>• We have strong established brands that are recognised and specified by our customers</li> <li>• Cross-selling of products encouraged to grow revenues, and to introduce customers to all our product ranges</li> <li>• Develop and maintain strong customer relationships through service excellence and dedicated account management</li> <li>• Product, system, and service differentiation and reliability</li> <li>• Project tracking and enquiry/quote conversion rate KPI</li> <li>• Continued investment in customer relationship management (CRM) software</li> <li>• Organisational and business agility to understand and adapt to changing and emerging customer needs</li> <li>• Developing new products for new customers/markets</li> <li>• Outstanding service and innovative products protect and help to retain customers</li> <li>• The Group operates credit insurance to cover the potential impact of bad debts. Service and client relationships also need to be maintained to retain and grow the business</li> </ul>	◀▶

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<p><b>Legacy defined benefit pension obligations</b></p> <p><b>Risk/impact</b></p> <p>The long-term funding of the pension scheme removes funds that would otherwise be re-invested to grow the business. The funding may be affected by poor investment performance of the pension scheme investments or changes in the discount rate applied.</p>	<ul style="list-style-type: none"> <li>• Continue to grow the business so that the relative affordability of pension deficit contributions is improved over time</li> <li>• Continue to maintain constructive relationship with Pension Trustees to enable active management of scheme liabilities and assets to reduce/eliminate the deficit</li> <li>• Affordable pension funding commitments agreed to eliminate the deficit over a reasonable timeframe</li> <li>• Regular review at Group Board level</li> <li>• Use of specialist advisers</li> <li>• Investment performance and risk/return balance overseen by an Investment Committee that receives specialist investment advice</li> <li>• The Trustees are pursuing a lower risk investment strategy to match liability risks and reduce future volatility</li> </ul>	▼
<p><b>Product warranty/recall risks</b></p> <p><b>Risk/impact</b></p> <p>Risk is one of product recall with subsequent cost and reputational risks; however, the Group does not have a history of significant warranty claims or product recalls.</p>	<ul style="list-style-type: none"> <li>• Robust internal quality systems, compliance with relevant legislation, building regulations and industry standards (e.g., ISO, BBA etc.), and product testing, as appropriate, meeting global standards</li> <li>• Group insurance programme to cover larger potential risks</li> <li>• Back-to-back warranties obtained from suppliers where possible</li> </ul>	◀