

Risk Management and Principal Risks



Effective risk management

We recognise that effective risk management and internal control are fundamental to helping to protect shareholder value and deliver our strategic objectives.

The Board plays a central role in the Group's risk management process which covers all forms of strategic, operational and financial risk.

Achievements in 2024

Marshall's is exposed to a wide range of risks that, should they materialise, could have a detrimental impact on our financial performance, reputation or operational resilience. There continue to be external risks and significant volatility in UK and world markets driven by conflicts around the world, and the impact of a change in the UK Government. In addition to the macro-economic environment, the key risks for the Group continue to be cyber security, climate change and other ESG related issues. All these areas are considered in more detail on pages 57 to 64. In all these cases, specific risk assessments continue to be reviewed and certain new operating procedures developed, such as developing flood resilience strategies. Mitigating controls continue to be reviewed as appropriate. The Group's risk function has placed particular emphasis on the following areas during the year:

- The Group has set out a clear 'Transform & Grow' strategy for delivering market outperformance in the medium term across its portfolio of market leading businesses. This strategy is based on a robust assessment of the expected market drivers and trends in the UK construction industry
- The Group's internal financial controls review resulted in further development of financial control Risk and Control Matrices ("RACMs") and the extension to non-financial control RACMs ahead of changes to corporate governance rules from 2026
- Cyber risk has continued to be a major focus in light of increasing external threats. Ongoing reviews, with additional resource, continue to be undertaken using both internal and external specialists. Practical support and guidance, together with additional cyber security training, continue to be a priority

The Group completed a number of targeted internal audit projects during 2024 covering the following areas:

- Microsoft Dynamics 365 implementation
- Continued support on the project to review the Group's financial control environment
- Lease management process
- Safety, strategy, compliance and incident response

The internal audits include "risk-based" audits, identified as a result of assessing the Group's key risks. They also include audits identified to cover key operational, financial, IT and regulatory areas subject to routine cyclical coverage.

Priorities for 2025

The priorities for the Group's risk function in 2025 include the following areas:

- The completion of a number of targeted projects will again be a major focus for the Group. In 2025, projects are expected to cover supply chain ethics and resilience, delegation of authority, IT systems and controls
- Continuing to support the Group's control improvement project to review the Group's internal control environment

Risk Management and Principal Risks continued



Approach to risk management

Risk management is the responsibility of the Board and is a key factor in the delivery of the Group's strategic objectives. The Board establishes the culture of effective risk management and is responsible for maintaining appropriate systems and controls.

The Board sets the risk appetite and determines the policies and procedures that are put in place to mitigate exposure to risks. The Board plays a central role in the Group's risk review process, which covers emerging risks and incorporates scenario planning and detailed stress testing.

Process

There is a formal ongoing process to identify, assess and analyse risks, and those of a potentially significant nature are included in the Group Risk Register.

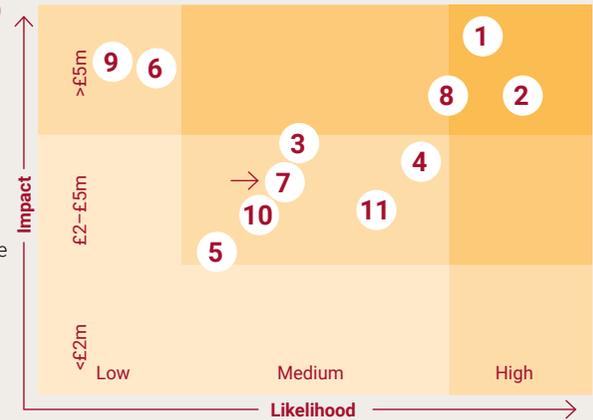
The Group Risk Register is updated by the Executive Team at least every six months and the overall process is the subject of regular review by the Board. Risks are recorded with a full analysis, and risk owners are nominated that have authority and responsibility for assessing and managing the risk. KPMG LLP, as the Group's internal auditor, attends the risk review meetings alongside Deloitte LLP, the Group's external auditor. The process continues to be a robust mechanism for monitoring and controlling the Group's principal risks, and for challenging the impact of new emerging risks. All risks are aligned with the Group's strategic objectives, each risk is analysed in terms of likelihood and impact to the business and the determination of a "gross risk score" enables risk exposure to be prioritised.

The Group seeks to mitigate exposure to all forms of strategic, financial and operational risk, both external and internal. The effectiveness and impact of key controls are evaluated, and this is used to determine a "net risk score" for each risk. The process is used to develop detailed action plans that are used to manage, or respond to, the risks, and these are monitored and reviewed on a regular basis by the Group's Audit Committee and the Board.

The Group has a formal framework for the ongoing assessment of operational, financial and IT-based controls. The overriding objective is to gain assurance that the control framework is complete and that the individual controls are operating effectively. This assurance will be enhanced in response to the FRC's change to the Corporate Governance Code that becomes effective from January 2026.

Risk heatmap (net risk scores)

- 1 Macro-economic and political
- 2 Cyber security threats impacting business operations
- 3 Security of raw material supply/raw material and labour shortages
- 4 Impacts of climate change
- 5 Human rights
- 6 Threat from new technologies and business models, and the increased pace of digital change in the market
- 7 Corporate, legal and regulatory
- 8 Competitor activity
- 9 Project delivery
- 10 Health and safety
- 11 People risks



Risk management framework

The Board:

- Determines the Group's approach to risk, its policies and the procedures that are put in place to mitigate exposure to risk

The Audit Committee:

- Has delegated responsibility from the Board to oversee risk management and internal controls
- Reviews the effectiveness of the Group's risk management and internal control procedures
- Monitors the effectiveness of the internal audit function and the independence of the external audit

Executive Directors:

- Are responsible for the effective maintenance of the Group's Risk Register
- Oversee the management of risk
- Monitor risk mitigation and controls
- Monitor the effective implementation of action plans

Internal audit:

- Independently reviews the effectiveness of internal control procedures
- Reports on effectiveness of management actions
- Provides assurance to the Audit Committee

Operational managers:

- Are responsible for the identification of operational and strategic risks
- Are responsible for the ownership and control of specific risks
- Are responsible for establishing and managing the implementation of appropriate action plans
- Are responsible for the impact of controls (net basis)

Risk Management and Principal Risks continued



Approach to risk management continued Risk appetite

The Group is prepared to accept a certain level of risk to remain competitive, but continues to adopt a conservative approach to risk management. In assessing risk appetite, the aim is to ensure that internal controls and risk mitigation measures are designed to reduce the net risk score to a point that aligns with the identified risk appetite. The aim is to ensure that we continue to channel resources to those mitigation measures and controls that specifically reduce risk to areas where we have a net risk score that lies outside our acceptable risk appetite. The risk framework is robust and provides clarity in determining the risks faced and the level of risk that we are prepared to accept. Marshalls' strategies are designed to either treat, transfer or terminate the source of the identified risk.

Viability Statement

After considering the principal risks on pages 57 to 64, the Directors have assessed the prospects of the Group over a longer period than the period of at least twelve months required by the "going concern" basis of accounting. The Directors consider that the Group's risk management process satisfies the requirements of Provision 31 of the UK Corporate Governance Code.

The Board considers annually, and on a rolling basis, a strategic plan, which is assessed with reference to the Group's current position and prospects, the strategic objectives and the operation of the procedures and policies to manage the principal risks that might threaten the business model, future performance and target capital structure. In making this assessment, the Board considers emerging risks and longer-term risks and opportunities.

The aim is to ensure that the business model is continually reviewed to ensure it is sustainable over the long term. Security, flexibility and efficiency continue to be the guiding principles that underpin the Group's capital structure objectives. The Group's funding strategy is to ensure that headroom remains at comfortable levels under all reasonable planning scenarios.

For the purposes of the Viability Statement, the Board continues to believe that three years is an appropriate period of assessment as this aligns with the current planning horizon. Although our central forecasting models cover a five-year period, it remains the case that there is less visibility beyond three years. The Construction Products Association's ("CPA") forecasts currently go out to 2026. This remains compatible with the five-year strategy and the longer-term objectives for our strategic growth pillars over a five-year period. The Group's financial forecast includes an integrated model that incorporates the income statement, balance sheet and cash flow projections.

The detailed stress testing reflects the principal risks that could impact the Group and could conceivably threaten the Group's ability to continue operating as a going concern. The assessment concluded that the deteriorating macro-economic environment is the key risk for this purpose and, in response to this, two scenarios have been run, namely a "reasonable worst-case scenario" and a "reverse stress test".

The reasonable worst-case scenario comprises a significant stress test sensitivity run against the base case model. This sensitivity reflects a scenario that is worse than the assumptions in the CPA's lower scenario from the 2024/2025 winter forecast. This scenario results in a cumulative revenue reduction of 5 per cent during 2025 and

2026 against the base case forecast. An operating 'drop-through' rate has been applied based on the operational gearing of each business unit. Under the downside model, pre-IFRS 16 is forecast to be c.£136 million at the end of 2025, and bank covenants are still comfortably met. The net effect of reduced operating profit and increased interest is mitigated by reduced tax and dividend cash flows. There remains comfortable headroom against bank facilities and bank covenants are still comfortably met with the pre-IFRS 16 net debt to adjusted EBITDA covenant peaking at around 1.7 times in June 2025.

In practice, under such a downside scenario the Group could instigate certain mitigation measures to reduce costs and capacity and to manage cash throughout the viability period, to December 2027.

For the purpose of the going concern assessment, we have applied a reverse stress test scenario to identify a deeper downside trading position that would give rise to a covenant breach. Against the base budget revenue, a reduction of 21 per cent alongside an operating profit "drop through" of around 40 per cent would be required during 2025 to breach a covenant at 31 December 2025. This is after assuming a reduction in capital expenditure and pausing dividends. This reverse stress test scenario reduces revenue by approximately £145 million during 2025. In this scenario, there remains reasonable headroom against bank facilities, but EBITA: finance costs would breach the covenant maximum of three times at December 2025.

In undertaking its review, the Board has considered the appropriateness of any key assumptions, considering the external environment and the Group's strategy and risks. Based on this assessment, and taking account of the Group's principal risks and uncertainties, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due for the next three years.

The reverse stress test scenario provides an indication of the scale of downturn that could be absorbed by the Group. The analysis provides the required evidence that the Directors' assessment of the going concern assumption remains appropriate and supports a positive conclusion for the longer-term Viability Statement.



Risk Management and Principal Risks *continued*

Principal risks and uncertainties

The Directors have undertaken a robust, systematic assessment of the Group's emerging and principal risks. These have been considered within the timeframe of three years, which aligns with our Viability Statement on page 56. The risk process has increasingly allocated greater focus on emerging risks and risk outlook. The reporting includes more detailed assessments of proximity (how far away in time the risk will occur) and velocity (the time that elapses between an event occurring and the point at which the effects are felt).

Links to corporate pillars

- Shareholder value
- Sustainable profitability
- Relationship building

- Organic expansion
- Brand development
- Effective capital structure and control framework

► [Read more about our strategy on pages 13 and 14](#)

Impact on business model

- Source
- Manufacture
- Distribute
- Customers

► [Read more about our business model on page 17](#)

1. Macro-economic and political			
<p>Nature of risk and potential impact</p> <ul style="list-style-type: none"> • The Group is dependent on the level of activity in its end markets within the UK construction industry • Consequently, it is susceptible to economic downturn, the impact of UK Government policy and volatility in UK and world markets • The recent change in UK Government has the potential to have an impact on the Group's end markets through spending priorities and changes in fiscal policy • Continued volatility in geopolitical factors (for example, war in Ukraine and the Middle East or trade wars arising from the implementation of tariffs) poses further risks to the UK economy • An escalation of trade wars • Weak market demand compresses profit pool in sector, which results in increased credit risk in customer base <p>Potential impact</p> <ul style="list-style-type: none"> • Potential reduction in consumer and business confidence leading to reduction in demand and lower activity levels • This could lead to an adverse effect on the Group's financial results and the need to take further action to manage costs, which may impact on delivering the Group's strategic priorities • A continuation of market volatility and global uncertainty, along with a prolonged period of normalised interest rates and higher inflation, could lead to disrupted markets over a more sustained period with pressures on liquidity and profitability 	<p>Key risk indicators</p> <ul style="list-style-type: none"> • Industry forecasts, reductions in consumer confidence and in order pipeline vs expectations and peers • Failure of Government to contain interest rate increases and cost inflation • An escalation of the war in Ukraine and the Middle East and other increased global uncertainty • Signs of credit risk stress in our supply chain 	<p>Mitigating factors</p> <ul style="list-style-type: none"> • The Board has set out a clear 'Transform & Grow' strategy for delivering market outperformance in the medium term across its portfolio of market leading businesses. This strategy is based on a robust assessment of the expected market drivers and trends in the UK construction industry • The Group closely monitors trends and lead indicators, invests in market research and is an active member of the CPA • The Group regularly reviews its financial performance and financial position and prepares financial projections on a wide range of scenarios. Action is taken following evaluation of these scenarios to make changes to our business including managing costs and cash flow • Use of credit insurance and constant monitoring of uninsured balances 	<p>Change</p> <p>No change in risk</p> <p>The UK construction market volumes are expected to return to growth in 2025 with stronger medium-term prospects due to a cyclical recovery and structural drivers of demand. Lower inflation and interest rates are expected to support increased demand for new housing and result in an improvement in consumer confidence that will be positive for housing RMI.</p> <p>Priorities</p> <ul style="list-style-type: none"> • Maintaining our strong levels of diversification to ensure we remain as resilient as possible to individual market forces
	<p>Links to corporate pillars</p>	<p>Impact on business model</p>	



Risk Management and Principal Risks *continued*

Principal risks and uncertainties *continued*

2. Cyber security threats impacting business operations			
<p>Nature of risk and potential impact</p> <ul style="list-style-type: none"> Fast growing and indiscriminate risk of a cyber attack that impacts on business operations Inadequate controls and procedures over the protection of intellectual property, sensitive employee information and market influencing data Failure to improve controls quickly enough, given rapid pace of change Heightened risk as IT is increasingly integrated into all business processes including risks to the industrial network AI has made attacks even more sophisticated and harder to spot <p>Potential impact</p> <ul style="list-style-type: none"> Operational disruption and financial loss – failure to manufacture and distribute product to satisfy customer demand Fraud, denial of trade and loss of sensitive data – financial and reputational risk/damage to the brand Risk of fines from external bodies 	<p>Key risk indicators</p> <ul style="list-style-type: none"> Emergence of new cyber security risks including more sophisticated AI-based attacks More data security breaches in the wider market, and particularly in construction Alerts have been issued by the NCSC asking UK companies to bolster their defence mechanisms 	<p>Mitigating factors</p> <ul style="list-style-type: none"> Cyber security team in place overseeing and managing the threat landscape. We have put in place IT security policies and technology to manage, detect and respond to threats Regular cyber security risk audits by independent third parties are in place Continuous employee awareness through training Business continuity plans are in place Cyber insurance to cover business interruption, loss of earnings and response services 	<p>Change</p> <p>No change in risk</p> <ul style="list-style-type: none"> Marshall's' cyber maturity assessment has continued to improve – although cyber risk has continued to increase We are witnessing more incidents, particularly in construction and increasingly in relation to ransomware The cyber control environment in Marley is not as mature as that of Marshall's and is an area of focus <p>Priorities</p> <ul style="list-style-type: none"> Adopt and follow the principles and guidelines laid out in ISO 27001 and adopt other guiding standards in this area Improve our cyber security response plans and identify and rectify any gaps with the development of robust playbooks Alignment of controls in Viridian Solar
<p>Links to corporate pillars</p>		<p>Impact on business model</p>	
3. Security of raw material supply/raw material and labour shortages			
<p>Nature of risk and potential impact</p> <ul style="list-style-type: none"> Construction materials often originate from naturally occurring minerals which are finite and in fixed locations Geopolitical tensions raise the stress in supply chains through availability or inflationary pressures which impact material availability There continue to be market capacity stresses at category level In the medium term there is a risk of "carbon taxation" (CBAM) on high embedded carbon materials – e.g. cement/GGBS/ceramics imported to level up pricing with the UK Shortage of qualified labour in certain areas <p>Potential impact</p> <ul style="list-style-type: none"> Cost inflation or interruption of supply could lead to customer dissatisfaction and reduce demand and margins 	<p>Key risk indicators</p> <ul style="list-style-type: none"> Temporary supply shortages Cost inflation, impacting materials and labour Decreases in labour availability and skills shortages Geopolitical activity/tariff implementation impacting global supply and competition Severe weather events 	<p>Mitigating factors</p> <ul style="list-style-type: none"> Centralised procurement team The Group benefits from the diversity of its business and end markets Dual sourcing supplier strategy wherever possible Maintaining adequate, but not excessive, stocks Collaboration with all EU-based Tier 1 and Tier 2 suppliers to ensure any supply risks are minimised Re-engineering product mix designs to engineer out materials that are: 1) difficult to source; 2) strategically compromised; and/or 3) expensive. Consideration of alternative technologies including the reduction of cement content The digitalisation of the supply chain through the use of best-in-class supply relationship management system Focus on supplier relationships, fixed pricing agreements, flexible contracts and long-term supply agreements. Use of sales pricing and purchasing policies to mitigate risk 	<p>Change</p> <p>No change in risk</p> <ul style="list-style-type: none"> Continued weak demand has led to reduced availability issues, although cost inflation remains a feature in some categories The risk of temporary shortages is mitigated by proactive supply chain management and the use of alternative suppliers <p>Priorities</p> <ul style="list-style-type: none"> Increase productivity and manufacturing efficiency Aggregate blending to reduce reliance on single points of failure Acceleration of mix redesigns to focus on carbon reduction and improved availability especially around cement and cement substitutes – investment in low-carbon substitute materials Retain importation options as a back up to domestic supplies
<p>Links to corporate pillars</p>		<p>Impact on business model</p>	



Risk Management and Principal Risks *continued*

Principal risks and uncertainties *continued*

4. Impacts of climate change			
<p>Nature of risk and potential impact</p> <ul style="list-style-type: none"> Increasingly unpredictable weather conditions and extreme weather events Increased incidence of flooding now and in the future, as well as likely increase of water stress. Major climate change impacts more likely in the overseas supply chain The long-term implications of climate change give rise to the transition risk of not addressing the challenges quickly enough Significant increase in level of climate-related disclosure requirements Specific targets for the SBTi now verified and will need reporting on annually. Action is needed to reach ambitious Scope 1, 2 and 3 and net-zero targets <p>A summary of more specific environmental risks is included in the ESG section on page 47.</p> <p>Potential impact</p> <ul style="list-style-type: none"> Disruption to supply chain and operations that might reduce short-term activity levels Operational difficulties at manufacturing sites due to flooding and droughts Damage to product Financial risk caused by adverse impact on margins and cash flows as well as sales and production volumes Potential difficulties with compliance relating to environmental consents, e.g. surface water discharge Reputational and compliance related impact of not fulfilling our commitments 	<p>Key risk indicators</p> <ul style="list-style-type: none"> Prolonged periods of bad weather which make ground working difficult or impossible Site shutdowns or delays to production and/or supply of product to the customer Failure to meet externally published near and long-term targets leading to negative feedback from stakeholders 	<p>Mitigating factors</p> <ul style="list-style-type: none"> Diversity of the business and nationwide coverage Centralised specialist functions to support mitigation plans and the management of relationships on commercial contracts Climate change risk analysis in place and clear carbon/ climate action Clear ESG governance structure and reporting processes in place Specialist third parties including the Carbon Trust (science-based targets data and analysis), Verisk Maplecroft (climate data for TCFD/CFD reporting) and BSI (environmental data verification) The development of the Group's Water Management business and the continuing focus on new product developments Roadmap for carbon reduction projects is regularly updated, plotting carbon reduction levers against spend requirements for each financial year 	<p>Change</p> <p><i>No change in risk</i></p> <ul style="list-style-type: none"> Weather conditions continue to be closely monitored but are beyond the Group's control Focus from stakeholders on ESG approach remains but risk is further mitigated by new governance structure and strategy <p>Priorities</p> <ul style="list-style-type: none"> Continue to develop flood resilience strategies Completion of site flood risk assessments to identify sites that are potentially at risk of flooding and drought in the short term Focus on robust transition plan to support revised science-based targets Ongoing assessment of climate change and risks for production, facilities, products and distribution Controls needed to support ESG reporting in line with increased scrutiny over ESG data and credentials Engagement with key cement suppliers to encourage collaboration and communication around Scope 3 target
<p>Links to corporate pillars</p>		<p>Impact on business model</p>	

Risk Management and Principal Risks *continued*



Principal risks and uncertainties *continued*

5. Human rights			
<p>Nature of risk and potential impact</p> <ul style="list-style-type: none"> Lack of visibility of human rights risks within supply chain Increasing commercial, legislative and investor pressure to identify, manage and evidence ethical interventions through internal systems, processes and procedures Erosion of influence/control over suppliers due to low or falling volumes and changing contract terms Corruption and Government failure to enforce local laws in high-risk jurisdictions undermining basic principles of decent work and ethical labour Use of forced labour sanctioned by some states, through protected and hidden processes Media reports and NGO exposés of human rights abuses targeting specific products, sectors or regions. Potential commercial, reputational or legal implications and damage to brand <p>Potential impact</p> <ul style="list-style-type: none"> Stakeholders could reduce support if the Group fails to address issues around modern slavery Inability to deliver on brand promise leading to loss of customer/ consumer confidence Failure to make tender lists if basic due diligence requirements are not met, particularly if there is no external verification or accreditation of our activity Test prosecutions from activist lawyers who want to "make an example" 	<p>Key risk indicators</p> <ul style="list-style-type: none"> Negative feedback from stakeholders – loss of business and investment Unwillingness/inability to report on instances of modern slavery/forced labour and mitigation Reducing ratings Disbarment from public sector tender lists 	<p>Mitigating factors</p> <ul style="list-style-type: none"> Experienced, specialist staff to support development of a comprehensive strategy Regular internal cross-functional meetings to discuss progress, issues and focus areas Specific supply chain human rights training for entire procurement team annually Annual anti-slavery awareness training Regular analysis of sourcing country risk: high-risk supply chains mapped to multiple tiers Viridian Solar audit programme for Tiers 1 and 2 and engagement with industry Engagement with external organisations including UN Global Compact Focus on ethical sourcing processes within new BES 6001 framework 	<p>Change</p> <p><i>No change in risk</i></p> <ul style="list-style-type: none"> Continued focus from stakeholders, Government, customers and investors and increased operational and reporting requirements <p>Priorities</p> <ul style="list-style-type: none"> Develop and maintain strategic partnerships, including UN Global Compact together with UK and overseas Governments, NGOs and industry groups Develop systems for data collection and analysis Continue audit strategy for high-risk supply chains
	<p>Links to corporate pillars</p>	<p>Impact on business model</p>	

Risk Management and Principal Risks *continued*



Principal risks and uncertainties *continued*

6. Threat from new technologies and business models, and the increased pace of digital change in the market			
<p>Nature of risk and potential impact</p> <ul style="list-style-type: none"> The introduction of new technological products that are a direct replacement for existing “traditional” Marshalls products, or the introduction of substitutes that solve the same problem/solution as existing products in a different way, both potentially leading to a reduction in demand Changes to the market channels or logistics models by new entrants and disrupters Digital and technological advancements that result in new apps or software that differentiate the service or product proposition, including the potential for lower-cost manufacturing capabilities or lower cost to serve <p>Potential impact</p> <ul style="list-style-type: none"> Increased competition could reduce volumes and margins on traditional products Increased costs and production capacity tied up in redundant technologies Risk that a new third party could use emerging digital technology to enter the market and transition more quickly and effectively Market change from new solutions and technologies ready to lower prices, leading to loss of control and commoditisation 	<p>Key risk indicators</p> <ul style="list-style-type: none"> Less demand for traditional products and routes to market Emergence of new competitors and new digital business models More widespread availability of artificial intelligence technology 	<p>Mitigating factors</p> <ul style="list-style-type: none"> Good market intelligence and ongoing monitoring of competitive threats Flexible business strategy able to embrace new technologies Significant focus on R&D and NPD. Application of low-carbon technology to the Group’s full concrete product range is expected to create a strong commercial advantage in the medium term Specification strategy keeps us close to the decision makers in our value chains Investment in design tools to help deliver the Group’s best-in-class technical and design support 	<p>Change</p> <p><i>No change in risk</i></p> <ul style="list-style-type: none"> The ongoing diversification of the business, the continued development of the Group’s brands and the focus on new products and greater manufacturing efficiency continue to mitigate the risk The pace of digital change in the market continues to increase although this is balanced by a challenging outlook <p>Priorities</p> <ul style="list-style-type: none"> Focus on cost reduction and projects that improve business flexibility and agility to respond to cyclical changes in demand A focus on the ease of doing business will drive improvement activity
<p>Links to corporate pillars</p>		<p>Impact on business model</p>	

Risk Management and Principal Risks continued



Principal risks and uncertainties continued

7. Corporate, legal and regulatory

Nature of risk and potential impact

- Inadvertent failure to comply with significantly increased governance, legislative and regulatory requirements
- Exposure heightened by business complexity and increasingly complex law and regulation
- Impact of an unexpected reputational event, e.g. an issue in the supply chain or due to a health and safety incident, media or NGO exposé on a sector, region or supplier

Potential impact

- Significant increases in the penalty regimes across all areas of the business could lead to significant fines and/or prosecution in the event of a breach
- Such incidents could lead to prosecutions and increased costs and have a negative impact on the Group's reputation and share price

Key risk indicators

- Increased regulatory and compliance requirement
- Reputational harm and associated share price impact of major incidents or compliance failures

Mitigating factors

- Centralised legal and other specialist functions, the use of specialist advisers and ongoing monitoring and mandatory compliance training programmes
- Regular reviews of policies and procedures
- Regular compulsory training (e.g. data protection, modern slavery, bribery and corporate criminal offence)
- Group sustainability strategy focusing on impact reduction
- The Group employs compliance procedures, policies, ISO standards and independent audit processes which seek to ensure that local, national and international regulatory and compliance procedures are fully complied with
- The Group uses professional specialists covering carbon reduction, water management and biodiversity

Change

Increase in risk in last twelve months

- In the near term new governance code, listing rules and sustainability reporting requirements need to be addressed. The change in Government is likely to drive further change in the medium term. Legal and regulatory will require management focus and robust compliance procedures within all areas of the business

Priorities

- Continue to renew all compliance processes and control effectiveness with the support of the Executive and Momentum Teams, drive greater cross-functional/team collaboration and awareness to increase early-stage engagement with the legal team
- Develop stress tests and crisis planning procedures

Links to corporate pillars



Impact on business model



8. Competitor activity

Nature of risk and potential impact

- Marshalls is market leader in certain product areas but there is a risk that if the Group's price premium is too high, growth will suffer as competitors' sales may increase
- Concentration of sales with few but large and material customers
- Competition centres around range, price, quality and service. Competitive risk increases if we fail to maintain high levels of customer service. There is a risk of losing customers if the Group is overly complex to deal with.

Potential impact

- Increased competition could reduce volumes and margins on manufactured and traded goods
- Poor customer insight could result in lower revenues at lower prices. Failure to deliver service in line with customer expectation (both market and wider norms) will also affect customer perception
- Reputational damage and consequential financial impact if Group loses competitive advantage

Key risk indicators

- Entrance of new low-cost competitors and new technologies
- Less demand for traditional products and the increased emergence of new digital models and product solutions
- Loss of market share
- Brand health
- Customer experience scores
- Margins under pressure

Mitigating factors

- Regular monitoring of customer performance, proactive management of customer deals and regular interaction to maintain customer intimacy
- External market intelligence, CPA, ABI Barbour, etc., in order to understand the upcoming periods better so that the Group can prepare and strategise accordingly
- The Group focuses on quality, service, reliability and ethical standards alongside its independently verified ESG credentials, which differentiate Marshalls Group from competitor products. Monitoring of brand health, customer experience and market share data with agile response to trends
- The Group has a continuing focus on new product development in response to the market wants and needs
- The continued development of the Group's digital strategy
- Refresh of Group strategy in order to refocus the business on the key priorities and growth opportunities

Change

No change in risk

- Confirmed risk that competitors accept lower margin putting pressure on the Group to reduce price

Priorities

- Redevelopment of the Group strategy, vision and purpose to refocus the organisation
- Re-engage with customers to maintain and protect relationships and trading deals
- Develop plan to reduce unit cost to the lowest levels, whilst providing flexibility and resilience of response to market needs
- Reduce complexity within the business and focus on simplifying our processes and being easier to deal with
- Maintaining existing supplier relationships whilst exploring new supplier relationships to ensure continuity of supplies at the most competitive rates

Links to corporate pillars



Impact on business model



Risk Management and Principal Risks continued



Principal risks and uncertainties continued

9. Project delivery			
<p>Nature of risk and potential impact</p> <ul style="list-style-type: none"> Ineffective management of major development projects, from initial scoping to final delivery and benefits management, due to constraints that may impact the Group's ability to absorb change The speed of change leads to increasing pressure on the business and challenges our ability to manage and stress test all aspects of our business model Failure to realise expected benefits from strategic business projects Ineffective prioritisation results in the Group trying to deliver too much change with insufficient resource <p>Potential impact</p> <ul style="list-style-type: none"> The extent and complexity of numerous planned business initiatives cause delays and inefficiency The Group fails to optimise profitable growth from executing its strategic plans Reputational damage, cost over-runs, service under-delivery and staff retention risks 	<p>Key risk indicators</p> <ul style="list-style-type: none"> Delays to project delivery Inefficiencies in resource utilisation Cost and time over-runs on projects 	<p>Mitigating factors</p> <ul style="list-style-type: none"> Change management framework and governance in place Robust and standardised project appraisal processes Programmes are continually reviewed with strong governance of all major strategic business projects, with third-party specialist assurance utilised as required. This includes executive oversight and project specific steering committees Assessment of investment appraisals to ensure capital allocation achieves the optimum return for the Group 	<p>Change</p> <p><i>No change in risk</i></p> <ul style="list-style-type: none"> Managing change programmes alongside business challenges creates risk of trying to deliver too much change Development in risk profiling procedures leading to improved root cause analysis <p>Priorities</p> <ul style="list-style-type: none"> Strong prioritisation of resources to support key change projects
<p>Links to corporate pillars</p>		<p>Impact on business model</p>	
10. Health and safety			
<p>Nature of risk and potential impact</p> <ul style="list-style-type: none"> Unexpected health and safety incident, possibly caused by human error or the actions of a subcontractor High-risk activities that if uncontrolled may lead to a serious injury Welfare and mental health of employees <p>Potential impact</p> <ul style="list-style-type: none"> Risk of harm to all stakeholders, including on-site employees and subcontractors Major workforce accident. Death, or significant injury, leading to corporate manslaughter charge/prohibition notice on plant New penalty regime is significantly more onerous. Increased risk of significant economic penalty, prosecution and reputational damage 	<p>Key risk indicators</p> <ul style="list-style-type: none"> Significant increases in the penalty regime Increase in HSE contravention notices 	<p>Mitigating factors</p> <ul style="list-style-type: none"> Centralised specialist functions and clear policies in place Group-wide health and safety strategy Regular communication and support for employees. Large number of mental health first aiders covering the whole network A digital management system for enhanced data collection and analysis Ongoing monitoring, training and health and safety audits IOSH Managing Safely training for managers Improved accident investigations leading to better understanding of root causes and relevant treatment New crisis management/BCP process Preventative maintenance for work equipment and machinery Integrated health and safety structure Fair and just approach implemented to understand human failures 	<p>Change</p> <p><i>No change in risk</i></p> <ul style="list-style-type: none"> Health and safety continues to be a high-risk profile area <p>Priorities</p> <ul style="list-style-type: none"> Continuing mental health and employee welfare challenges
<p>Links to corporate pillars</p>		<p>Impact on business model</p>	

Risk Management and Principal Risks *continued*



Principal risks and uncertainties *continued*

11. People risks			
<p>Nature of risk and potential impact</p> <ul style="list-style-type: none"> • Manager capability – ability to cope with ambiguity and change remain evident • Diversifying our workforce and future proofing for skills and capabilities • Attraction and retention <p>Potential impact</p> <ul style="list-style-type: none"> • Inability to recruit and retain people with required skills, calibre and potential • Risk of reduced skills and inadequate training potentially leading to reduced productivity and efficiency • Lack of talent to drive the business forward • Implications for employee health and wellbeing and overall workforce morale and capability • Potential risk to the Group's brands 	<p>Key risk indicators</p> <ul style="list-style-type: none"> • Absence and turnover trends • Reducing employee engagement scores • Employee relations 	<p>Mitigating factors</p> <ul style="list-style-type: none"> • Prioritise supporting the business as it implements the 'Transform & Grow' strategy • Strong communication channels and employee feedback through the Employee Voice Group • Regular feedback questionnaires supported by third-party provider, "Your Voice" • Independent "Safecall" helpline for employees to report serious concerns • Ongoing focus and commitment to training, apprenticeships and staff development • Manager capability and development programmes • Review of pay and benefits against industry and other such peers 	<p>Change</p> <p><i>No change in risk</i></p> <ul style="list-style-type: none"> • Reduced investment in people development could lead to higher attrition • Risk of losing talented people <p>Priorities</p> <ul style="list-style-type: none"> • Deliver the manager development programme and support the Momentum Team development • Develop strategies and plans for HIPOs • Continued focus on succession planning • Continue with focus on communications
	<p>Links to corporate pillars</p>	<p>Impact on business model</p>	