

RISK MANAGEMENT

The Board recognises that effective risk management and a robust system of internal control are integral components of good corporate governance and are fundamental to the long-term sustainable success of the Group. Risk appetite, the risk management process and associated mitigating activities and controls are all essential elements of the Group’s strategic and operational planning processes.

Risk governance

The Board, supported by the Audit Committee, has overall responsibility for oversight and management of risk and control across the Group. On a day-to-day basis this responsibility is delegated to the Executive Directors and supported by the Group’s Business Risk Management Committee (BRMC). The Board is committed to embedding a risk aware culture, setting the tone from the top and ensuring that risk is an intrinsic element of the governance structure.

Risk appetite

The Group’s business model means that it may be affected by numerous risks, not all of which are within its control. The Board seeks to take a balanced approach to the risks and uncertainties that it faces, encouraging an appetite for measured risk-taking that contributes to both the operational agility and innovative culture that it believes is necessary to meet the Group’s strategic objectives.

As appetite for risk will differ across business activities, risk appetite is defined for each risk subcategory using a scale of one (unwilling to accept risks under any circumstances) to five (eager to innovate, seek greater returns and exploit risk opportunities). For example, as we are not willing to accept risks relating to health and safety, our appetite will sit at the lower end of the scale, and we will therefore seek to reduce these risks as much as possible. Conversely, we are willing to accept certain risks to attract new customers to achieve our strategic objectives, and thus our appetite for these risks will sit towards the other end of the scale.

We use our risk appetite statements to assist in the monitoring and governance of the opportunities and risks the Group faces, providing a consistent approach for decision making in the delivery of our strategy and building resilience within our business model.

Risk management process

The Group has adopted a risk management framework to enable the appropriate identification, evaluation and mitigation of risks:

| 1. Identification of risk | 2. Assess and analyse | 3. Design and implement controls | 4. Manage and monitor | 5. Calibrate and assure | 6. Report and evaluate |
|---|---|---|---|---|---|
| Identify significant risks to achieving objectives and promoting long-term sustainable success of the Group | Assess inherent risk (impact and likelihood), identify mitigating actions and compare residual risk against risk appetite | Implement controls and actions to manage risks within risk appetite | Monitor effectiveness of controls and implement remedial actions as necessary | Calibrate consolidated risks for consistency and to prioritise Group response; assure the effective operation of controls | Timely reporting of risks, effectiveness of controls and assurance activities |

Risks are identified through a variety of sources, both internally through the Board, operational and functional management teams, the Group Environmental and Business Risk Management Committees, and externally, to ensure that emerging risks are considered. Risk identification focuses on those risks which, if they occurred, have the potential to have a material impact on the Group and the achievement of its strategic, operational and compliance objectives. Risks are categorised into the following groups: strategic risks; operational risks; reputational risks; and environmental risks.

Management is responsible for evaluating each significant risk and implementing specific risk mitigation activities and controls with the aim of reducing the resulting residual risk to an acceptable level, as determined in conjunction with the Group's risk appetite.

The Group employs a 'three lines of defence' model to manage risk and provide the required level of assurance across the Group:

- **First line:** Management has primary responsibility for managing operational risks through the design and implementation of mitigating actions and controls and ensuring appropriate checks and verifications take place. Such risks are mitigated at source with controls embedded into relevant systems and processes.
- **Second line:** Comprising risk management and compliance functions, the second line oversees the management of risk, providing the frameworks and tools to support the first line and conducts monitoring of the first line of defence controls.
- **Third line:** The internal audit function provides independent and objective assurance to management, the Audit Committee and the Board on the effectiveness of risk management systems and internal controls operated by the first and second lines of defence. Internal audit activities are planned using a risk-based approach, ensuring focus is directed at the areas presenting the greatest risk to the achievement of the Group's strategic objectives.

Risk management roles and responsibilities

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| Overall responsibility | <p>The Board has overall responsibility for oversight and management of risk and control across the Group, including fraud and climate-related risks. The Board undertakes a formal review of the Group's principal and emerging risks at least annually, assessing them against the Group's risk appetite and strategic objectives.</p> <p>The Executive Directors will routinely update the Board on urgent emerging issues and principal risks where the residual risk exceeds the Group's risk appetite to allow the Board to determine whether the actions being taken by management are sufficient.</p> | |
| Risk owners | <p>Each business unit and Group function is responsible for identifying and assessing its significant risks, implementing controls to mitigate the risks to an acceptable level and completing risk and control self-assessments annually.</p> | |
| Supporting committees | <p>The Audit Committee assists the Board in fulfilling its responsibilities to maintain effective governance and oversight of the Group's risk management and internal controls.</p> <p>The Audit Committee reports to the Board after each of its meetings, providing updates on its monitoring and review activities over the effectiveness of the risk management and internal control framework.</p> <p>The Audit Committee also provides oversight of the internal audit function.</p> | <p>The BRMC meets at least three times a year to consider the aggregated Group-wide set of prioritised risks, mitigating activities and controls and to discuss and monitor emerging risks.</p> <p>The BRMC reports to the Audit Committee at least bi-annually on the Group's principal and emerging risks and the effectiveness of mitigating activities and controls.</p> |
| Assurance | <p>Internal audit, as part of its scheduled testing and reviews, provides the Group with independent assurance over the effectiveness of internal controls, risk management and governance processes.</p> <p>Internal audit reports to the Audit Committee at each meeting on the results of assurance activities undertaken.</p> | |

Emerging risks

The Group's risk profile will continue to evolve as a result of future events and uncertainties. Emerging risks are closely monitored at BRMC meetings to understand the potential impact on the business. Emerging risks that have been discussed over the period include: the unrest in the Red Sea and potential secondary effects of higher oil prices and disruption to shipping on the supply chain; the output from a deep dive into the potential risks and opportunities from the advancement in artificial intelligence, particularly in relation to the Group's marketing activities; and the renewed focus on tariffs on items sourced from China.

PRINCIPAL RISKS & UNCERTAINTIES

Outlined in the following tables are the current principal risks and uncertainties that would impact the successful delivery of the Group's strategic goals. These are consistent with those disclosed in the prior year. The list is not exhaustive and other, as yet unidentified, factors may have an adverse effect.

Strategic risks

| Macroeconomic conditions | |
|---|---|
| RISK AND DESCRIPTION | |
| The Group conducts most of its operations in North America and would be affected by a downturn in general economic conditions and/or negative effects from instability in the geopolitical environment or tension in international trade affecting this market. In previous economic downturns the promotional products market has typically softened broadly in line with the general economy. | |
| STRATEGIC RELEVANCE | DIRECTION |
| <ul style="list-style-type: none">▶ Customer acquisition and retention could fall, impacting revenue in current and future periods.▶ The growth and profitability levels called for in the Group's strategic plan may not be achieved.▶ Cash generation could be reduced broadly corresponding to a reduction in profitability. | <ul style="list-style-type: none">▶ Inflation and interest rates in our core US market have stabilised, easing pressure on product, transportation and labour costs.▶ However, political and economic uncertainty remains, including from the renewed focus on tariffs under the new US administration, resulting in lower business confidence and downside risks to growth. |
| MITIGATION | |
| <ul style="list-style-type: none">▶ Management monitors economic and market conditions to ensure that appropriate and timely adjustments are made to marketing and other budgets.▶ The customer proposition in terms of promotions, price, value, and product range can be adjusted to resonate with customer requirements, budgets and input costs in changing economic climates.▶ The Group's balance sheet funding policy provides operational and financial flexibility to facilitate continued investment in the business through different economic cycles. | ➡ Unchanged |

Markets and competition

RISK AND DESCRIPTION

The promotional products markets in which the business operates are intensely competitive. New or disruptive business models, potentially facilitated or accelerated by emerging technology and AI, looking to break down our industry's prevailing distributor/supplier structure may become a threat. Buying groups and online marketplaces may allow smaller competitors access to improved pricing and services from suppliers. Private equity interest in the promotional products industry has increased in recent years, offering potential funding for existing competitors or new entrants.

STRATEGIC RELEVANCE

- ▶ Aggressive competitive activity or a disruptive new model could result in pressure on prices, margin erosion and loss of market share, impacting the Group's financial results.
- ▶ The Group's strategy based on achieving organic revenue growth in fragmented markets may need to be reassessed.
- ▶ Customer acquisition and retention could fall, impacting revenue in current and future periods.

MITIGATION

- ▶ Service level, price and satisfaction guarantees are an integral part of the customer proposition. Negative or changing customer feedback is investigated and addressed rapidly. Customers are surveyed regularly to monitor changing customer interests and perceptions.
- ▶ Merchandising and supply chain teams have extensive experience in rapidly adapting the product range to meet evolving consumer demand.
- ▶ Our aim is to position the business at the forefront of innovation in the industry, driven by an open-minded culture that is customer-focused, embraces collaborative supplier relationships, and has an appetite for emerging technology. Potential use cases to harness the advancements in AI are being regularly discussed and assessed.
- ▶ Management closely monitors competitive activity in the marketplace, including periodic market research studies.

DIRECTION

- ▶ **The competitive landscape to date has been relatively consistent on the distributor side in our main markets.**
- ▶ **Whilst we are not seeing disruption in our markets from new entrants enabled by AI technology, the consumer search model landscape is rapidly evolving which may present opportunities for potential competitors and become a threat.**

➔ **Unchanged**

PRINCIPAL RISKS & UNCERTAINTIES CONTINUED

| Effectiveness of key marketing techniques and brand development | |
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| RISK AND DESCRIPTION | |
| <p>The success of the business relies on its ability to attract new and retain existing customers through a variety of marketing techniques. These methods may become less effective as follows:</p> <ul style="list-style-type: none">– TV/video/brand: Fluctuations in available inventory may cause the price of this technique to increase beyond our acceptable thresholds. The evolving nature of how consumers access this type of content could change our ability to effectively access our audience.– Online: Search engines are an important source for channelling customer activity to 4imprint’s websites. The efficiency of search engine marketing could be adversely affected if the search engines were to modify their algorithms or otherwise make substantial changes to their practices, for example to benefit from the use of emerging technology and AI, and the Group was unable to respond and adapt to these rapid changes.– Offline: The flow of print catalogues and sample packages would be disrupted by the incapacity of the US Postal Service to make deliveries, for example due to natural disasters or labour activism. Increased levels of people working from remote locations for a sustained period may diminish the effectiveness of this technique. <p>The evolving landscape around consumer data privacy preferences and data privacy legislation potentially affects all marketing techniques if it compromises our ability to access and analyse customer information or results in any adverse impacts to our brand image and reputation.</p> | |
| STRATEGIC RELEVANCE | DIRECTION |
| <ul style="list-style-type: none">▶ If sustained over anything more than a short time period, an externally driven decrease in the effectiveness of key marketing techniques would cause damage to the customer file as customer acquisition and retention fall. This would affect order flow and revenue in the short term and the productivity of the customer file over a longer period, impacting growth prospects in future years.▶ Restrictive data privacy legislation or changes in consumer demands around data privacy could decrease the yield on our marketing activities and might increase compliance costs and the possibility of lawsuits. | <ul style="list-style-type: none">▶ The increasing adoption of AI by the main search engines has the potential to change internet search in a way that may potentially diminish its effectiveness for the Group.▶ The Group’s diversified marketing portfolio has proved to be flexible and effective, producing encouraging results in a soft market. <p>➡ Unchanged</p> |
| MITIGATION | |
| <ul style="list-style-type: none">▶ TV/video/brand: This now dominant element of our marketing portfolio permits a high degree of flexibility, allowing us to quickly respond to changes as required.▶ Online: Management stays very close to evolving technological developments and emerging platforms in the online space, particularly in respect of the adoption of AI by the main search engines. Efforts are focused on anticipating changes and ensuring compliance with both the requirements of providers and applicable laws. An appetite for technological innovation is encouraged by the business.▶ Offline: Developments in the US Postal Service are closely monitored through industry associations and lobbying groups. Alternative parcel carriers are evaluated periodically.▶ Data privacy requirements and consumer data preferences are monitored closely and assessed.▶ The business relies primarily on first party data, with shared data significantly reduced. | |

Operational risks

Business facility disruption

RISK AND DESCRIPTION

The 4imprint business model means that operations are concentrated in centralised office, distribution and production facilities. The performance of the business could be adversely affected if activities at one of these facilities were to be disrupted, for example, by a pandemic, extreme weather events (e.g., cyclones, droughts, floods and fires), loss of power or internet/telecommunication failure.

STRATEGIC RELEVANCE

- ▶ The inability to service customer orders over any extended period would result in significant revenue loss, deterioration of customer acquisition and retention metrics and diminished return on marketing investment.
- ▶ A significant portion of our apparel orders are embroidered and printed in-house at our production and distribution sites in Oshkosh and Appleton, Wisconsin. Disruption at these facilities would impact our ability to fulfil these orders.
- ▶ The Group's reputation for excellent service and reliability may be damaged.

MITIGATION

- ▶ Back-up and business continuity infrastructure is in place to ensure the risk of customer service disruption is minimised.
- ▶ Websites are cloud-based, and data is backed up continuously to off-site servers.
- ▶ Relationships are maintained with third party embroidery and print contractors to provide an element of back-up in the event of facility unavailability.
- ▶ Our screen-printing operations have been located separately to our existing distribution centre to diversify the risk of disruption to our facilities.
- ▶ A significant proportion of our office and customer service staff work from home, mitigating some risk should offices become unavailable.
- ▶ Physical climate-related risk assessment of our operations and facilities undertaken during the period to better understand how these risks could impact the Group's operations across different timescales.

DIRECTION

- ▶ **There have been no significant changes to the operations of the Group over the period which materially change the nature or likelihood of this risk.**

➡ **Unchanged**

PRINCIPAL RISKS & UNCERTAINTIES CONTINUED

Domestic supply and delivery

RISK AND DESCRIPTION

As a consequence of the Group's 'drop-ship' distribution model, trading operations could be interrupted if: (i) the activities of a key supplier were disrupted and it was not possible to source an alternative supplier in the short term; (ii) a key supplier's own supply chain is compromised by 'force majeure' events in the country of original product manufacture, for example extreme weather events (e.g., cyclones, droughts, floods and fires), natural disasters, social/political unrest or a pandemic; or (iii) the primary parcel delivery partner used by the business suffered significantly degraded service levels. As the Group continues to grow, the volume of orders placed with individual suppliers becomes significant.

STRATEGIC RELEVANCE

- ▶ Inability to fulfil customer orders would lead to lost revenue and a negative impact on customer acquisition and retention statistics.
- ▶ The Group's reputation for excellent service and reliability may be damaged, leading to potential erosion of the value built up in the 4imprint brand.

MITIGATION

- ▶ A rigorous selection process is in place for key suppliers, with evaluation and monitoring of quality, production capability and capacity, ethical standards, financial stability and business continuity planning.
- ▶ Very close relationships are maintained with key suppliers, including a detailed shared knowledge of the supply end of the value chain, allowing swift understanding of and appropriate reaction to events.
- ▶ Wherever possible, relationships are maintained with suitable alternative suppliers for each product category.
- ▶ Physical climate-related risk assessment of our key suppliers undertaken during the period to better understand how these risks could impact the Group's operations, customers and supply chain across different timescales.
- ▶ Secondary relationships are in place with alternative parcel carriers.

DIRECTION

- ▶ **Supply chain and delivery conditions remain stable in both our markets.**

➡ **Unchanged**

Failure or interruption of information technology systems and infrastructure

| RISK AND DESCRIPTION | |
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| The business is highly dependent on the efficient functioning of its IT infrastructure. An interruption or degradation of services, including from a malicious cyber attack, would affect critical order processing systems and thereby compromise the ability of the business to deliver on its customer service proposition. | |
| STRATEGIC RELEVANCE | DIRECTION |
| <ul style="list-style-type: none">▶ In the short term, orders would be lost and delivery deadlines missed, decreasing the efficiency of marketing investment and impacting customer acquisition and retention.▶ Revenue and profitability are directly related to order flow and would be adversely affected as a consequence of a major IT failure.▶ Depending on the severity of the incident, longer-term reputational damage could result. | <ul style="list-style-type: none">▶ The IT platform is mature and performance has been efficient and resilient. |
| MITIGATION | <ul style="list-style-type: none">➡ Unchanged |
| <ul style="list-style-type: none">▶ There is continuous investment in both the IT team supporting the business and the hardware and software system requirements for a stable and secure operating platform.▶ Back-up and recovery processes are in place, including immediate replication of data to an alternative site, to minimise the impact of information technology interruption.▶ Regular security testing of our systems is undertaken in conjunction with specialist third-party consultants.▶ Cloud-based hosting for eCommerce and elements of back-office functionality.▶ IT infrastructure in place to support working from home for our office-based team members. | |

PRINCIPAL RISKS & UNCERTAINTIES CONTINUED

Reputational risks

| Cyber threats | | |
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| RISK AND DESCRIPTION | | |
| Malware, ransomware and other malicious cyber threats can lead to system failure and/or unauthorised access to and misappropriation of customer data, potentially leading to reputational damage and loss of customer confidence. This is a rapidly changing environment, with threats from new technology emerging on an almost daily basis. | | |
| STRATEGIC RELEVANCE | | DIRECTION |
| <ul style="list-style-type: none">▶ Revenue and profitability are directly related to order flow and would be adversely affected as a consequence of system compromise.▶ A significant security breach could lead to litigation and losses, with a costly rectification process. In addition, it might be damaging to the Group's reputation and brand.▶ An event of this nature might result in significant expense, impacting the Group's ability to meet its strategic objectives. | | <ul style="list-style-type: none">▶ The expected frequency, sophistication and publicity of attacks continues to increase. Accordingly, we continue to invest in expertise and technical solutions, controls and security reviews to counter the increasing external risks. <p>➡ Unchanged</p> |
| MITIGATION | | |
| <ul style="list-style-type: none">▶ The business employs experienced IT staff whose focus is to identify and mitigate IT security vulnerabilities.▶ Investment in software and other resources in this area continues to be a high priority.▶ Technical and physical controls are in place to mitigate unauthorised access to customer data and there is an ongoing investment process to maintain and enhance the integrity and efficiency of the IT infrastructure and its security.▶ Due to the ever-evolving nature of the threat, emerging cyber risks are addressed by the IT security team on a case-by-case basis.▶ Third party cyber security consultants are employed as appropriate and support regular security testing of our systems.▶ Regular training is rolled out to our team members, including phishing simulations, to increase awareness of cyber security threats. | | |

Supply chain compliance and ethics

RISK AND DESCRIPTION

Our business model relies on direct (Tier 1) and indirect (Tier 2 and 3) relationships with suppliers located both within our primary markets and at overseas locations. 4imprint has for many years had very high ethical expectations for supply chain compliance, but there is always a risk that our wider supply chain partners may, from time to time, not comply with our standards or applicable local laws.

STRATEGIC RELEVANCE

- ▶ Significant or continuing non-compliance with such standards and laws could result in serious damage to our reputation and brand image.
- ▶ This could have an adverse effect on our ability to acquire and retain customers and therefore our longer-term revenue prospects and financial condition.

MITIGATION

- ▶ Key Tier 1 suppliers must commit to cascading our ethical sourcing expectations down to their Tier 2 and Tier 3 supply chain partners.
- ▶ Specifically, we require our suppliers to comply with our supplier compliance documentation, including the '4imprint Supply Chain Code of Conduct' and the '4imprint Factory & Product Compliance Expectations' document.
- ▶ We are active in promoting audit coverage of our supply chain at many levels, and in ensuring that product safety and testing protocols are adequate and up to date.

DIRECTION

- ▶ **Our supplier compliance programme is well established.**
- ▶ **Whilst visits and audits of domestic and overseas suppliers are running at expected levels, challenges exist in visiting certain locations.**

➔ **Unchanged**

Legal, regulatory and compliance

RISK AND DESCRIPTION

We are subject to, and must comply with, extensive laws and regulations, particularly in our primary US market, including those relating to data privacy legislation and environmental compliance and reporting obligations.

STRATEGIC RELEVANCE

- ▶ If we or our employees, suppliers and other partners fail to comply with any of these laws or regulations, such failure could subject us to fines, sanctions or other penalties that could negatively affect our brand, reputation and financial condition.

MITIGATION

- ▶ Consultation with subject matter experts, specialist external advisers and government agencies as appropriate.
- ▶ The business employs, and continues to invest in, legal, compliance and other specialist staff familiar with the obligations faced by the Group.
- ▶ We continue to monitor and assure controls implemented across the Group to manage our risk of non-compliance.

DIRECTION

- ▶ **Obligations continue to be complied with, monitored and assured.**

➔ **Unchanged**

PRINCIPAL RISKS & UNCERTAINTIES CONTINUED

Environmental risks

| Climate change | |
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| RISK AND DESCRIPTION | |
| <p>Climate change potentially affects our operations, facilities, supply chain, team members, communities and our customers in a variety of ways. As such, it presents a multitude of risks to the business and threatens our ability to achieve our strategic objectives. In order to meaningfully reduce our Scope 3 emissions, the Group will be reliant on third parties and the development of lower/zero carbon products and technologies.</p> | |
| STRATEGIC RELEVANCE | DIRECTION |
| <ul style="list-style-type: none">▶ Extreme weather-related events that impact our customers and/or our suppliers can have a short- to medium-term negative impact on revenue, customer acquisition and retention, and they can also cause increases to our product and distribution costs. Some of our suppliers are located in geographic areas that are subject to increased risk of these events in the long term.▶ Further, in the medium term, if the business is not seen to be taking deliberate and tangible actions to reduce its GHG emissions and support the transition to a lower-carbon economy, the Group's reputation and brand may be damaged and its access to providers of capital diminished. | <ul style="list-style-type: none">▶ There remains a global sense of urgency in relation to climate change. As such, the risks in this area remain elevated.▶ There have been several severe weather events in our primary North American market during the period. Whilst our supplier partners located in the affected areas successfully mitigated the impact of these events, the regularity and future management of these occurrences is expected to become more challenging. |
| MITIGATION | |
| <ul style="list-style-type: none">▶ The flexible nature of our 'drop-ship' model allows for relatively rapid adjustment to episodes of extreme weather. The business has very low customer concentration which helps mitigate an element of the risk as well.▶ We have close relationships with our key suppliers and, wherever possible, relationships are maintained with suitable alternative suppliers for each product category.▶ The business became carbon neutral in 2021 in respect of Scopes 1 and 2 and is working towards understanding its full Scope 3 emissions profile.▶ The extension to our existing solar array at the Oshkosh distribution centre became fully operational during the year, contributing to the portion of the Group's power requirements generated from renewable sources.▶ Separate physical and transitional climate-related risk assessments were undertaken during the period to better understand how these risks could impact the Group's operations, facilities, customers, supply chain and reputation across different timescales.▶ Management is actively monitoring and measuring progress towards further environmental goals, most notably further GHG reductions in Scopes 1, 2 and 3. | |

➡ Unchanged

Products and market trends

RISK AND DESCRIPTION

The transition to a low carbon economy may lead to changing product trends or consumer preferences that render certain products undesirable or obsolete whilst increasing demand for others. New, more sustainable or recycled products are still being developed for commercial use, which could lead to increased product costs. Further, our supply chain may seek to pass on potential costs arising from the transitional changes such as carbon taxes, or inflation arising from sourcing in-demand raw materials or disruption caused by extreme weather events.

STRATEGIC RELEVANCE

- ▶ Failure to anticipate accurately, and respond to, trends and shifts in consumer preferences and increased costs arising in the value chain, by adjusting the mix of existing product offers, may lead to lower demand for our products, impacting our market position and ability to generate revenue growth.

MITIGATION

- ▶ Our merchandising teams actively collaborate with our suppliers to continuously curate our range of products to adapt to and meet the needs and tastes of our customers.
- ▶ Our Better Choices® initiative highlights promotional products that have sustainable attributes, giving our customers the ability to research product attributes, supplier standards and certifications related to sustainability, environmental impact, workplace culture and more, helping them to reduce their own carbon emissions.
- ▶ We continue to invest in our sustainability team to assist in delivering our initiatives in this rapidly evolving area.

DIRECTION

- ▶ **The transition to a low carbon economy is driving changes in consumer preferences towards sustainable products.**
- ▶ **However, the fact that most of the products in our broad range are also sold unbranded in the retail setting, and with an increasing number of products being ‘tagged’ with our Better Choices® designation, the pace of the transition towards sustainable choices, whilst expected to accelerate in the future, is likely to remain manageable.**

➡ Unchanged