How we manage our risks

Next 15 continue to be exposed to a variety of risks that can have financial, operational and regulatory impact on our business performance, reputation and prosperity. We recognise the need for informed risk-taking in order to deliver resilient business growth. Effective risk management drives better commercial decisions, protects our assets, reputation and brands and is therefore critical to supporting the delivery of the Group's strategic objectives.

Governance

At Next 15, our risk governance relies on defined decision and information flows, which recognise the diverse requirements across our brands while maintaining the overarching integrity of the governance hierarchy and decision rights for risk management.

Oversight of the effectiveness of our enterprise risk management approach lies with our Board of Directors. The Board is responsible for reviewing, monitoring and providing guidance on our overall approach to risk, but also on our legal and regulatory compliance, quality of our internal processes and industry best practice. The Board has oversight of our operations to ensure that internal controls are established and are working effectively. The Audit Committee supports the Board on risk and assurance including 'risk deep dives' and receives independent reports from third line assurance activities including external and internal audit.

Day-to-day risk management and control is the responsibility of the Group Executive Team. As part of their risk management responsibilities, Group management provide direction and leadership to the brands and Group-level risk owners so that they can operate in accordance with the Group's risk appetite.

Group Internal Audit provides assurance over the Group's control environment. The results of Internal Audit activities are reported directly to the Audit Committee and the risk-based Internal Audit plan is updated to respond to the risks faced by the Group.

Risk appetite

Consideration of risk is set against the backdrop of the Group's 'risk appetite' which the Board considered and approved during the year. Our risk appetite is the level of risk that we are willing to accept in the pursuit of a specific strategy or objective and is set based on the Group's values, strategy and ability to absorb risk. Our approach to risk appetite continues to evolve and mature in order to manage and monitor our risk exposure more effectively. Following review by management and the Audit Committee, risk appetite is now defined for each principal risk area. Our determination of risk appetite allows us to have better visibility of where we need to invest resources to reduce risk (where we are risk-averse), or drive opportunity (where we have more open tolerances for risk).

As part of the top-down risk process we reviewed the risk appetite for each of our principal risks considering changes in the past year, both within the Group and due to external events.

Approach to risk management

We take an integrated view of risk management. In practice, this means that Group senior management own the design of the overall approach to risk, but our assessments are produced at functional Head Office, or brand level, depending where risks are identified and mitigating actions are embedded. This combined approach supports effective operations in a continuously changing business environment.

Evolving risk management

As our business continues to grow and we expand our portfolio of brands, we want to ensure that our risk approach evolves at the same pace and continues to be fit for purpose. We are in the process of communicating a Group-level risk framework ('Framework') with updated policy and practice documents to drive consistency and minimum standards across functions and brands. This provides relevant support to our brands to increase awareness and maturity of their understanding of risk management.

Top-down risk process

At Group level, we consider the broad risk profile, identifying and assessing risks that impact our entire business. The bottom-up process augments our overall approach, as new local risks and themes may evolve to become Group-level risks.

As part of our top-down risk process, the Group Executive Team assessed and prioritised our principal risks (see page 59). During this process no new principal risks were identified. Our emerging risk register captures risks that are likely to have near-future impact on our operations.

Approach to risk management continued

Bottom-up risk process

A bottom-up risk process drives the overall mapping of local brand level and Group risks. As part of the annual budgeting process, the Group Executive Team asked brand management independently to review the key risks to their business; these were then discussed in face-to-face meetings. This process did not identify any new brand level risks which had evolved to be Group-level principal risks in the past year but did inform our review of changes in risk year on year. We concluded that the existing Group-level risks remained appropriate and capture the material brand level risks.

Emerging risks

In setting our strategic priorities, we carry out regular horizon-scanning exercises and rely on external insights, which support our management of our evolving risk profile. In addition to our principal risks, we also consider risks that are emerging and may bear impact on our business in the near to medium future. We identify such risks through ongoing review of our strategy (considering risks we have not previously mapped), keeping our finger on the pulse of external events, assessing findings emerging from internal and external audit and other third parties we work with, and by taking part in knowledge sharing events in our industry.

This year our emerging risks are:

- climate impact;
- ability to scale professionally whilst maintaining entrepreneurial culture; and
- the impact of Artificial Intelligence ('AI') on ways of working and our business models.

Climate change is already affecting every layer of society, and as an emerging risk, is something that we monitor closely. We are continuing to explore these trends in order that we incorporate and address any relevant risks and opportunities in business strategy. In our FY24 Annual Report, we will include a section that reports the TCFD requirements. The TCFD report is intended to clarify to investors how physical and transition climate risks and opportunities are governed, assessed, managed, measured and reported by the Company. It will also show how carbon risk assessment and management is linked to core corporate business strategy and risk management.

We have grown significantly over the last few years and recognise that we need to scale our internal processes and systems appropriately to ensure we can continue to manage risks as we grow. We see this as an area where we will need to continue to be vigilant in order to match control with protecting the entrepreneurial culture that is at the heart of Next 15.

The speed at which AI is improving and the timeframe during which we expect to evolve our business models to incorporate this technology has shortened. We continue to assess where there are opportunities and risks of using these technologies within the Group.

Risk and strategy

Our principal risks are detailed on pages 59 to 67. Our strategy is included on page 16.

Principal risks and uncertainties continued

BOARD, AUDIT COMMITTEE AND RISK MANAGEMENT

Group-level (top-down) risk process

At Group level, we consider the themes and risks emerging from the review of our bottom-up risk processes and augment this risk profile with Group-level risks that have been identified and are owned by our senior management.

Our risk profile

Current risks

These are the risks that we have identified as having a likelihood of disrupting the achievement of our strategic plans.

Emerging risks

These risks have been considered to have likely future impact on our business. We monitor these risks to understand when they need to move to our broader principal risk landscape.

What we evaluate

- **Likelihood and impact:** a consistently applied 5x5 scoring scale
- **Gross risk:** our risk score before we apply mitigating controls
- **Mitigating activities:** activities we undertake to reduce our risk
- **Net risk:** our risk score following introducing control activities
- **Risk appetite:** defined to reflect our openness to risk and our tolerance thresholds for such risk
- **Risk ownership:** each principal risk has an executive owner

Our risks

We have identified 14 principal risks across four broad categories:

- Four strategic risks
- Three operational risks
- Four financial, regulatory and compliance risks
- Three risks concerning people and our culture

Brand-level (bottom-up) risk process

A bottom-up risk process drives the overall mapping of local and Group risks. Our review of the brand level risks with brand management helps inform whether we have captured all of the material risks impacting the Group.

Top-down design

Bottom-up process

The Board has evaluated the principal risks that are likely to affect the Group. These are described in the table on the following pages.

Principal risk	Potential impact	Our mitigating actions	Year-on-year movement in risk
Strategic risk			
Macroeconomic uncertainty and societal change There is a risk that external factors or changing societal trends impact the ability of the Group to deliver on its strategic objectives.	Our business and, more broadly, our industry are facing into an evolving and changing risk landscape generated through external conditions and shifting societal attitudes. Our people and clients are impacted by the cost of living crisis and wider economic uncertainty, and we are also facing into uncertainties around the impact of climate change and technological disruption such as the rapidly-evolving capabilities of AI. Macroeconomic uncertainties of such proportions can have deep and lasting consequences for our business, including loss of revenue, talent and strategic control when we do not act quickly enough to adjust to these shifts. For some of our brands, the exposure will be more severe depending on their business model.	Although the threat to our business from this risk is considered high, we also consider the opportunity for competitive advantage in instances where we proactively manage this type of uncertainty. For this reason, our approach to this risk is multi-pronged: • we look for the opportunities that such risks bring. For example, stronger privacy laws are both a threat to some business models and an opportunity to create new ones; • we are investing in our technological infrastructure to develop new ways of working and secure our data and IP; • we continue to invest to drive our culture and values, whereby our people feel secure and valued even during periods of change and transition; • we continue to diversify our portfolio of brands to minimise overall impact at Group-level, if a specific service or territory is impacted; • we evolve our Board strategy and three-point plans to consider potential macroeconomic risks; and • we maintain a conservative balance sheet to be able to absorb short-term economic shocks.	↗

↑ Increased risk ↗ Slightly increased risk → No change ↓ Reduced risk

Principal risks and uncertainties continued

Principal risk	Potential impact	Our mitigating actions	Year-on-year movement in risk
Strategic risk continued			
Reputation and brand There is a risk that an issue arises which attracts press or social media attention and damages the reputation of Next 15 or an individual brand in the eyes of our stakeholders.	Reputational risk is a considerable worry for most businesses, but for a business like ours built on trusted relationships it can be particularly damaging if we do not meet the expectations of our shareholders, clients and employees. Negative media or social media coverage either at a Next 15 level or individual brand level could have a number of adverse consequences including: • directly impact our share price; • influence existing and future clients from doing business with us; • curtail our ability to build our acquisition portfolio; and • inhibit our ability to recruit and retain talent.	Because reputational risk can arise from various root causes, including project failure, working with clients who have their own reputational issues, poor financial performance and failure to live our own values internally, it can be difficult to control. However, managing the risk to our reputation is at the heart of our overall approach to risk and how we manage all the other risks set out here. Our main tools for managing reputational risk include: • strengthening our corporate governance position and actively engaging with shareholders; • developing standardised policies and procedures that help our staff be responsible for day-to-day management of risks that could impact our reputation; • the Ethics Group which provides some protection against taking on client projects which could damage our reputation through their core business activities and the EDI Council, which advocates for EDI across the Group; • taking a centralised approach to data privacy and cyber and IT security controls; and • ensuring whistleblowing mechanisms are accessible to our employees to report any form of misconduct in the workplace.	↗

↑ Increased risk ↗ Slightly increased risk → No change ↓ Reduced risk

Principal risk	Potential impact	Our mitigating actions	Year-on-year movement in risk
Failure to innovate and evolve offering to customers and to attract acquisition targets There is a risk that Next 15 may fail to innovate and evolve its product and service offering resulting in the business offering being less attractive or relevant to existing and new clients. In addition, a failure to support a culture of innovation may result in reduced appeal to acquisition targets, which in turn may impact our ability to scale our business.	As our business continues to grow rapidly, there is a risk that we do not prioritise and provide sufficient investment into the evolution of our service and product offering. This may stem from the fact that we are delivering significant volumes of work that address today's issues for our clients, and we do not have sufficient time and resources to dedicate to growing future service lines. Additionally, we may not provide sufficient attention to the pace of disruption and technological change in our industry. This risk may lead to a reduced ability to fulfil our strategy and business plan, inhibiting our ability to grow our market share. Additionally, if we are not perceived as innovation leaders in the field, we may suffer loss of client confidence and potential inability to continue to scale our business.	Managing this risk is critical to the overall success of our business and we do so through: • horizon-scanning so that we understand the likely future impact of new technologies, behaviours and regulations on our clients, people and brands; • continuous conversations with our clients to understand their emerging pain points; • fostering a culture of innovation through our Group and brands that aligns to our long-term strategy; • robust challenge by the Board of our management team; and • close monitoring and response to existing and emerging gaps in our personnel that may impact the ability of bringing in new ideas and skills.	↑
Reliance on key clients There is a risk that individual brands may become over-reliant on a small number of key clients, leading to a potential loss of revenue, shareholder value and talent, should they fail to retain that relationship.	An unexpected loss of a major client can have a significant impact on individual brands' and, potentially, overall Group revenue and profitability. The impact of this will depend on the particular brand involved and the nature of the client. The loss of a major client may create significant pressure if not replaced by new accounts or an increase in business from existing clients.	At Next 15, we work to diversify both our customers and suppliers, as well as put into place a risk management system that will help foresee future disruptions and prepare for them. A key feature of our risk management of this risk focuses on proactive steps, including: • ensuring that our brands have good business development capabilities; • monitoring customer concentration risk; • keeping in regular contact with our key clients to ensure satisfaction regarding the quality of product and service offering; and • supporting our brands in the scaling and growth of their businesses to ensure a diverse client portfolio.	↑

↑ Increased risk ↗ Slightly increased risk → No change ↓ Reduced risk

Principal risks and uncertainties continued

Principal risk	Potential impact	Our mitigating actions	Year-on-year movement in risk
Operational risk			
Cyber and information security There is a risk that we fail to maintain the confidentiality, integrity and availability of information and key systems.	A cyber-attack or data security breach could lead to a loss of customer, colleague or Group confidential data, business disruption, reputational damage and significant fines. The external threat vector and risk environment is challenging with increased levels of sophisticated cyber-crime, complex regulatory requirements and our use of several third parties. A failure to comply with the General Data Protection Regulation ('GDPR'), which came into force in May 2018, could result in significant penalties and could have adverse impact on customer confidence in the Group.	Next 15 has established an Information Governance Board which has oversight of the cyber security and data privacy policies, programmes and operations throughout the Group. It also ensures we maintain our cyber security certifications including ISO 27001 and Cyber Essentials Plus. We have recruited an in-house Data Protection Officer, who is responsible for providing data privacy subject matter expertise and is accountable for the Group's data privacy programme. We continue to ensure that information security policies, procedures and controls are in place, including encryption, network security, access controls and data protection. This is supported by comprehensive risk and vulnerability management programmes. Independent assurance is provided through cyber maturity assessments aligned to the National Institute of Standards and Technology ('NIST') cyber security framework to drive continuous improvement.	↗
Rate of professionalisation of Next 15 There is a risk that our financial growth outpaces our ability to manage the risks we face and our requirement to deliver good governance.	Our pace of growth over the last few years has created a potential new risk of a mismatch between our financial scale and our ability to manage the risk we face. When seen at a brand level, individual risks can look manageable. But when aggregated to Group level they often require a joined-up response. For example, data privacy risks grow as we add more brands to the Group and we add new products and services. Data breaches and potential fines will be assessed at the Group materiality level rather than by reference to the brand causing the problem. A further example is that existing management approaches can become ineffective as the Group scales and need to be replaced by new structures that are consistent with our values whilst retaining control.	In making sure that our processes, systems and resource keep pace with our rapidly growing scale, we have a number of approaches in place to ensure we identify and manage risk: • our overall risk management process highlights areas where gaps are likely to emerge between target risk and current net risk; • we regularly review Next 15 Head Office team's role, its span of control, and how it should be structured to deliver the Group's goals. A transformation roadmap sets out a series of strategic projects that aim to improve efficiency and reduce risks; • a design process for each project focuses on addressing where risks will be at our current scale of growth as well as addressing current issues; • we continue to standardise our approach to acquisitions and integrations, and have appointed a Director of Integration; • steering groups monitor project delivery and success in achieving their goals; and • we consult widely with our brands on new initiatives through a series of Group-wide forums.	→

↑ Increased risk ↗ Slightly increased risk → No change ↓ Reduced risk

Principal risk	Potential impact	Our mitigating actions	Year-on-year movement in risk
Business continuity There is a risk of disruption to the efficient functioning of our business. These threats include any incidents or disasters that negatively impact our organisation.	We recognise the risk of disruption to business operations across the Group level and to our brands, as well as the impact of a cyber attack or critical incident that impacts a crucial contractor or supplier. Any period of sustained business interruption may directly or indirectly result in: • loss of confidence in our business by our clients; • reduced productivity of our employees in instances where critical operational infrastructure is impacted; • damage to our Group and or brand reputation; • regulatory fines; and • financial impact, potentially leading to revenue losses.	At Next 15 we have an understandable reliance on our IT systems and people. We are in the process of evolving our overall Business Continuity Framework which reflects the distributed nature of the Group with its independent and autonomous brands. This is designed to be underpinned by brand and Group-level Business Continuity Plans ('BCPs') and a network of Incident Response Teams ('IRT'). Management of any critical incident is owned by the Next 15 IRT, in conjunction with Brand IRTs where required. The Business Continuity Framework and associated policy mandate regularly review and test with governance through the Business Continuity Board. As part of rolling out this framework we are expecting to strengthen our coverage of wider crisis scenarios and general disciplines regarding maintenance of our business continuity plans. From a systems perspective, all of our systems are optimised for high availability ensuring resilience should business continuity be invoked. To aid operational management and reduce risk as far as possible we use Software as a Service ('SaaS') tools to carry out our daily work. These are cloud hosted services, rather than on-premise deployments, that we can access easily and securely via a browser from any location. We have confidence in the SaaS providers we rely on and that their business continuity plans are robust. Our reliance on physically located on-premise software is low and continues to be reduced.	→

↑ Increased risk ↗ Slightly increased risk → No change ↓ Reduced risk

Principal risks and uncertainties continued

Principal risk	Potential impact	Our mitigating actions	Year-on-year movement in risk
Financial, regulatory and compliance risk			
Global tax There is a risk that our tax strategy fails leading to material tax compliance failures or uncertain tax positions. These could result in financial, legal, and reputational damage for Next 15 and management.	Tax liabilities in the territories in which the Group operates could increase as a result of either challenges of existing positions by tax authorities or future changes in tax law. Specifically, given the substantial operations in the US any changes in US tax policy could have a significant impact on the Group.	The Group has an in-house tax team to ensure compliance with tax legislation globally. Our in-house tax team maintains qualified accountancy designations with the UK and US and are considered subject matter specialists within these jurisdictions. The in-house team monitors global tax legislation and policy change which may affect our tax strategy. External professional tax advice is procured for: • technically complex matters related to material transactions; and • tax compliance for jurisdictions where the in-house tax team are not subject matter experts (Non-US/Non-UK). We take a position of not taking part in overly aggressive tax planning strategies.	→
Legal and compliance There is a risk that we fail to comply with key laws and regulations which negatively affect our business model.	The Group, and our brands, operates in multiple geographies and in an environment governed by numerous regulations including GDPR, competition, employment, bribery and corruption, and regulations over the Group's products. The vast regulatory landscape across multiple jurisdictions presents a significant risk of potential non-compliance with laws and regulations, which can lead to regulatory investigation, reputational damage, fines and financial loss.	This is a serious risk to our business and to our brands, so we manage it through multiple mitigation channels: **Awareness**: we rely on our regularly updated Code of Conduct, employee policies and training to raise awareness among management and staff in relation to their roles and responsibilities when it comes to meeting our legal and regulatory obligations. **In-house and external expertise**: the Group maintains an in-house legal function and also uses external legal counsel to advise on local legal and regulatory requirements. **Assurance**: consideration of regulatory compliance is included in the assurance programme led by the Risk & Assurance function. **Accreditation**: we maintain a number of accreditations and registrations to meet a number of contractual and statutory obligations.	→

↑ Increased risk ↗ Slightly increased risk → No change ↓ Reduced risk

Principal risk	Potential impact	Our mitigating actions	Year-on-year movement in risk
Fraud and misreporting There is a risk that fraud and misreporting may occur due to the decentralised nature of the Group, leading to loss of cash, profit and damaging our reputation.	There is a risk that without appropriate oversight and review, our business may be subject to fraudulent activity and misreporting of financial information. This risk increases when we acquire new business units for the Group where segregation of duties may not have been as strictly applied as we require. The risk of misappropriation and fraud is also increased due to the entrepreneurial and federated nature of the Next 15 operating model and the level of influence founders can have within their specific company environments.	We have in place the following mitigations: • oversight of all financial reporting and control activities by the Audit Committee; • a minimum controls framework that mandates the adoption of the Group's finance, tax and banking systems, which provides the central team with oversight of the day-to-day transactions within the Group's operations. This is immediately applied to new business units that join the Group; • the consolidation of the Group's banking facility under one centralised banking facility gives the Group greater control and visibility over cash balances; • regular working capital monitoring; and • continuing to build out and invest in our centralised Group payment function and transactional processing centre in India. Further, an established Internal Audit function provides assurance on the Group's control environment, with particular focus given to the appropriate segregation of duties at a brand level.	↑
Currency risk There is a risk that the Group's results are materially impacted by adverse currency movements resulting in a failure to meet shareholder expectations.	As a global business, currency fluctuations continue to have a potential impact on the Group's translated results. The Group is listed in the UK with sterling as its functional currency but makes a significant proportion of its profits outside the UK. As a result, the Group's reported profits and asset values are impacted by any fluctuation of sterling relative to other currencies, particularly the US dollar. We also face the risk of potentially suffering restrictions on the ability to repatriate cash, particularly for our operations in India and China.	Most of the Group's revenue is matched by costs arising in the same functional currency. Foreign exchange exposure is continually monitored, and net investment hedges are used where appropriate for significant foreign currency investments. Global and local short-term cash flow forecasts are used to monitor foreign-currency payments, and natural currency hedging is used where possible across the Group. Surplus cash balances are swept to the UK to minimise any exposure to particular currencies or locations.	↗

↑ Increased risk ↗ Slightly increased risk → No change ↓ Reduced risk

Principal risks and uncertainties continued

Principal risk	Potential impact	Our mitigating actions	Year-on-year movement in risk
People and culture risks			
Attraction and retention There is a risk that we fail to attract, retain and develop talent and capabilities required to deliver our growth ambitions.	Our people are key to our success. We operate in very competitive markets and acknowledge that the skills that our people possess are attractive to other employers. There is the risk that not having the right people and skills could impact negatively on our ability to serve our customers and grow our business. It is important that we maintain high levels of employee engagement to ensure that we are able to retain and attract the best talent. Weak employee engagement, organisational alignment and inadequate incentivisation may lead to poor performance and instability. The impact of external economic instability is adding to the level of attraction and retention risk. Given the level of ongoing business transformation and change, high employee turnover or the failure to attract the right skills, may result in programmes and projects not being successful.	We are mindful that we operate in a highly competitive talent market. As a result, our focus is on continuing to provide high levels of support and consideration to our team members' wellbeing and ongoing development needs. As part of our approach to risk management: • we have a programme of learning and development for our people, which includes management and leadership training and the Next 15 Academy; • we offer competitive compensation and benefits packages and are provided guidelines for salary increases and STIP metrics; • we carry out regular performance reviews and appraisals of our people; • there are regular staff events and wellbeing initiatives; • we undertake an annual employee engagement survey from which we produce an action plan to address the issues identified; and • senior leadership monitor and have oversight of all significant change programmes.	→
Succession planning There is a risk that being unprepared for unplanned departures and overreliance on key individuals creates risk to the stability and growth of our business.	A number of individuals are key to the management and performance across Next 15 and the execution of the Group's overall strategy. When key individuals leave or retire there is a risk that knowledge, client relationships or competitive advantage are lost. The impact of succession risk not being managed may result in higher turnover of senior management and could significantly impede the Group's financial plans, product development, project completion, marketing and other plans resulting in loss of market share and reputational damage. Relationships with investors can also be damaged, as can our share price. The cumulative effect of poor or inadequate succession planning means it is vital that planning is comprehensive and holistic.	Succession plans and retention strategies are in place for key people at a brand and Group level. We have a talent identification process through active networking forums. There is ongoing monitoring of the effectiveness and skill set of the Board of Directors. This enables effective succession to supplement the Board's skill set as well as helping to maintain a strong and diverse set of independent Directors.	→

↑ Increased risk ↗ Slightly increased risk → No change ↓ Reduced risk

Principal risk	Potential impact	Our mitigating actions	Year-on-year movement in risk
Equity, Diversity and Inclusion There is a risk that Next 15 does not continue to scale because we fail to attract and retain a diverse workforce, limiting our ability to progress and innovate.	Embedding EDI forms an integral part of our Group values. The impacts of this risk not being managed effectively include: • failing to attract or retain talent; • our culture does not successfully evolve as the business grows; • deterring customers: If you don't have a good reputation for EDI, there is a risk that clients may switch to a competitor that does; • reputational damage if Next 15 does not uphold or live out the values we have committed to; and • being less attractive to shareholders.	We are committed to further progress in this area with oversight of the EDI programme by the Group Chief People Officer with KPIs within the monthly management account and regular reporting to the Board. We are committed to raising awareness, providing training and encouraging diversity amongst the workforce through a diversity network initiative. Every effort is made to consider the needs of the diverse workforce at the design and planning stage, rather than wait for a worker to be employed and then having to make changes. Linking occupational safety and health into any workplace equality actions, including equality plans and non-discrimination policies (US).	→

↑ Increased risk ↗ Slightly increased risk → No change ↓ Reduced risk