

PRINCIPAL RISKS AND UNCERTAINTIES

Risk Management – Identifying and Managing Risk

An essential element of how we run GBG is our approach to risk management. This helps us to deliver long-term stakeholder value whilst protecting our business, people, assets, capital and reputation. We consider risk assessment and control to be fundamental to achieving our strategic objectives.

We have established an ongoing process for identifying, evaluating and managing the significant risks that we face and the effectiveness of the related controls. This process is reviewed every six months by the Audit & Risk Committee, who report their findings to the Board. BDO LLP were appointed in November 2019 to provide GBG with an outsourced internal audit arrangement.

BDO's initial scope of work included conducting a strategic review of the Group's risk management and internal controls process and also the Group's cyber security controls. The work was conducted and completed during the final quarter of the financial year and the recommendations will be incorporated into our ongoing risk review process.

Coronavirus (Covid-19)

We anticipate that the key risk themes of 2020, described in our risk profile, will continue to be a focus in 2021, but in addition would highlight that the financial and operational impacts of Covid-19 are moving at pace. GBG has strong business continuity plans to accommodate operational impacts and these have been invoked to address the needs of the business and also the requirements of the relative government guidance in the countries in which we operate.

We are taking special measures to support our people and their well-being during the pandemic. Almost all of our team members are now working from home – some of our colleagues in China and Malaysia have now returned to the office. We have also put a strong emphasis on communications to keep our team members connected and informed. This has included a weekly CEO webinar update, managers keeping in regular touch with their teams by video and conference calls together with using our Group intranet to provide support information and to share experiences between the regions. As has been the case in China and Malaysia, any return to our office locations will be carefully considered in respect of the best interests of our team members, risk assessments being conducted in line with local guidance and best practice and detailed briefings to team members on the return to office procedures.

GBG has conducted thorough assessments of the potential impact of Covid-19 on the Group's principal risks from a strategic, commercial and operational perspective. This has ensured that the business can provide the appropriate response in the short-term to our team members and customers in order to support our plans to position ourselves regarding our longer-term sustainability and viability.

At the start of the crisis we established a Covid Team, chaired by the CEO and supported by members of the Group's Executive Team. The Covid Team established a number of work streams, each headed by a team leader, to help us coordinate our response to the impact of Covid-19 across our business. These work streams covered are: Team Members, Customers, Financial Health, Operations, Governance and Opportunities.

The Covid Team has met regularly every week to discuss issues and concerns, to receive updates from the work stream team leaders and, where required, to quickly approve decisions. The Board receives weekly updates and briefings on our response to Covid-19 so that they can assess the business issues and make critical decisions quickly. In recent weeks, the scope of the Crisis Team's work has included planning for a wider relaxation of the lockdown restrictions around the world and to ensure the business is prepared, as fully as possible, to support our team members, customers and other stakeholders.

Prior to the pandemic taking effect, our business model already featured: the ability of all of our teams to work remotely and securely; a diverse portfolio so that we were not overly reliant on a particular customer, market or geography; and market leading products and services that support organisations during upturns and downturns. Having these features in place, in addition to taking immediate and appropriate steps to preserve GBG's cash position, has meant that we have been able to respond positively to the early challenges presented by the pandemic although the full effect on the business is still uncertain. However, we will not be complacent and are monitoring the situation and potential exposures as matters develop and in turn have a range of further plans to put into action should this be required.

Framework – Risk and Control Structure

The Board

GBG's Board has overall responsibility for the Group's risk management framework. The framework is not designed to eliminate risk but define and manage the type of risk and level of exposure we are prepared to take in pursuit of our strategic objectives to ensure decisions taken align with the Group's risk appetite. The Board reviews the recommendations made to it by the Audit & Risk Committee.

Audit & Risk Committee

The Committee regularly monitors the principal risks and uncertainties identified by our risk assessment processes, along with the strategies developed and the actions we have taken, wherever possible, to mitigate them. Our risk identification, assessment and reporting is supported by GBG's Executive Management, through the Executive Team, who continually review the effectiveness of our system of risk management and internal controls.

Internal Controls Team

The Group's Internal Controls Team assesses current risks, reviews and monitors the controls that mitigate those risks; and identifies potential new risks to the Group. It reports to the Chief Executive Officer and the Chair of the Audit & Risk Committee on matters of internal control and risk assessment.

The Executive Team

Each member of our Executive Team is responsible for the management of the specific risks within their own business unit. They also report into the Internal Controls Team where they collectively review and monitor specific risks, agree mitigation actions and update risk scores.

Internal and External Auditors

The Group's internal and external auditors have responsibility to review and assess the Group's risk management and internal controls process and to report their findings and recommendations to the Audit & Risk Committee.

Key Elements of the Control Framework

The Board is responsible for maintaining and reviewing the effectiveness of our risk management activities, from a strategic, financial and operational perspective. These activities are designed to identify and manage, rather than eliminate, the risk of failure to achieve business objectives or to successfully deliver our business strategy.

Risks are owned and managed within the business, and reviewed formally by our first line business and second line Internal Controls Team at least every six months. They review risks and controls, including those relating to information security, regulatory compliance and business continuity. The results of these reviews feed into our reporting cycle. Our key element of the risk control framework are as follows:

Internal Controls

Our internal controls system facilitates the management of risks that could impact upon our ability to meet our objectives. We acknowledge that the system is simply a means to mitigate, rather than eliminate risk. In addition to the Internal Controls Coordinator having periodic 1:1 meetings during the year with risks owners to review their risk portfolio and actions taken, the Internal Controls Team meets formally twice a year to carry out an in-depth risk review. In this review, Executives from across the business are required to collectively identify and assess risks specific to the business and review and monitor controls. The team scores risks based on qualitative and quantitative information including an assessment of impact. The meetings are chaired by the Internal Controls Coordinator who collates the results and manages the risk register, which holds all of the risk scores.

Risk Management

The Internal Controls Coordinator presents the results of the Group's risk reviews and the risk register to the Audit & Risk Committee. They are responsible for regularly monitoring and assessing our risk management functions and reports directly to the CEO on all matters of internal control and risk assessment. The Audit & Risk Committee of the Board monitors and provides robust challenge on, through the reports provided by the Internal Controls Team, the controls which are in force and any perceived gaps in the control environment. The Audit & Risk Committee also considers and determines relevant action in respect of any control issues raised by the Internal Controls Coordinator or the external auditor or the internal auditor. The Committee also sets the review programme for the internal auditor.

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Financial Reporting Process

GBG's management team and the specialists within our Finance Team are responsible for ensuring the appropriate maintenance of financial records and processes to ensure that all information is relevant, reliable and compliant with the applicable laws and regulations. They are also responsible for ensuring that the Board and GBG's advisers receive such information in a timely manner. The financial statements are reviewed by our management team to ensure that the Group's results and financial position is appropriately reflected. Our Audit & Risk Committee challenges, reviews and approves the release of all financial information published.

Strategic & Financial Planning

We have an established budgeting and strategic planning process, whereby we assess our competitive position and goals, taking account of the strategic risks faced. This strategy is translated into financial plans with clear milestones and performance indicators and these are regularly reviewed and assessed by the Board.

Performance Management

Our performance against the strategic plan is closely monitored by a formal monthly reporting process and by the attendance of the relevant Executive Directors at monthly Executive Team meetings and, when required, at bi-monthly Board meetings.

Capital Investment

We have in place a clear process for the approval of capital expenditure, which includes a detailed appraisal of the benefits of the proposed investment and any associated key risks. Board approval is required on material capital expenditure matters and the process is detailed in a formal set of matters reserved for the Board approval.

Health & Safety

We have established health and safety standards and benchmarks, our performance meeting these standards is closely monitored. In light of the evolving requirements flowing from the Covid-19 pandemic, the focus of our activities in this area will be in relation to creating and maintaining safe working environments for all our team members.

Our Risk Profile

Our risk identification processes has two main strands:

- A bottom-up approach at a business unit and central services unit level. This identifies the risks that threaten a unit or units which the business manages. To give us visibility of issues across the business, we consolidate these risks at the regional and global level, and escalate to the Risk Management Committees.
- A top-down approach at a Group level. This identifies the principal risks that threaten the delivery of our strategy.

The diagram below summarises our principal risk profile and trends in the threat levels.

Principal Risk Profile



Key



Inability to Meet New Product Development and Scalability Challenges



Ineffective Succession Planning and Skills Retention



Non-supply by Major Supplier



Loss of Intellectual Property



Covid-19



Cyber Attack



Failure to Comply with Regulations and Laws and/or Changes in Regulatory Environment & Enforcement



Loss of Data and Systems through Ineffective Disaster Recovery & Business Continuity Plans



Increasing Competition and Global Reach

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Risk Appetite and Principal Risks

The Board is responsible for setting the level of risk and our associated risk appetite to ensure we focus appropriately on the risks we face. We identify and assess the impact of risks to the business under four key headings – financial, strategic, operational and knowledge. For each risk, the likelihood is identified and the impact is assessed using quantitative and qualitative information.

The significant risks and uncertainties we face are set out below together with a summary of the control measures and mitigations employed. Notwithstanding these actions, due to the pace and nature at which risks evolve, we remain vigilant in addressing these areas of concern and developing our control measures. In addition, we have also included detail in the table to show specific Covid-19 mitigations and actions that have been taking place.

The Board is very much aware that as a public company, reputational damage is a risk and as such is a key concern. The potential effects to our reputation are not under-estimated by the Board and whilst the following commentary is not specific in detailing reputational damage as an identified risk, its impact is a major, over-arching consideration across our risk portfolio.

| Risks | Description | Mitigation |
|--|---|--|
| <p>Failure to Comply with Regulations and Laws and/or Changes in Regulatory Environment & Enforcement</p>  | <ul style="list-style-type: none"> – Within the markets we operate, legislation changes on a regular basis and the interpretation of existing laws can also change, creating ever-tightening standards. This will often require additional human and financial resources and the provision of new assets and systems. – We are committed to responding positively to regulatory change to ensure compliance could affect the pricing for, or adversely affect the revenue from, the services the Group offers. – We also acknowledge that we are required to maintain a number of accreditations and registrations to meet a number of contractual and statutory obligations. – We are aware of increasing international regulation in respect of data handling and privacy in the geographies in which we operate. | <ul style="list-style-type: none"> – We have a dedicated Legal, Governance, Health and Safety, Privacy & Information Security Teams who are collectively responsible for monitoring changes to legislation and ensuring compliance in each area. Indeed, we continue to invest and have increased the number and skills levels of the respective teams in the past year. – We have established procedures which we invoke when presented by material issues and changes (such as Covid-19, Brexit and regulatory challenge) involving: bringing together a senior team; assessing the issue and scoping a plan of action; assigning activities; and monitoring progress and developments. There is also a process for keeping the Board informed and seeking its advice and feedback and for escalating matters. – We have access to a range of external legal advisors, globally. – We have a global intranet through which we advise, train and provide ongoing development to all of our team members globally about our policies which provides us with the means to ensure ongoing compliance with regulatory obligations including those required by data protection and privacy laws. Our processes allow monitoring to ensure that all team members undertake the necessary training which can be evidenced to regulators and customers where needed. – We will continue to invest in training of team members in data handling and privacy best practices. <p>In progress</p> <ul style="list-style-type: none"> – During this pandemic our priorities have been to protect our team members and to support their health and well-being, to look after our customers and to secure our business both financially and operationally. – In addressing these priorities, Covid-19 has led to additional legislation in the jurisdictions in which we operate covering health and safety, finance and governance. There are various work streams with our Covid Team to consider changes in legislation and guidance and, in conjunction with our professional advisers, ensure that we have assimilated the various information to understand and comply with the requirements. This focus will be maintained as lockdown restrictions are eased globally and governments implement further initiatives to support their citizens and economies. – As indicated elsewhere in this report, in November 2018 The Information Commissioner's Office, the data industry regulator in the UK, announced that it was conducting audits on a number of companies to understand the use of data in their services. GBG was included in this review and continues to engage with the Commissioner as part of that review. We will keep the market informed of any material developments. |

| Risks | Description | Mitigation |
|---|--|--|
| Increasing Competition and Global Reach  | <ul style="list-style-type: none"> - We operate within increasingly competitive markets and intensified competition could lead to pricing pressures. - A reduction in the rate at which we add new customers may decrease the size of our market share if clients choose to receive services from other providers. | <ul style="list-style-type: none"> - Our business development and product functions track the activities of our competitors and this insight is used by management to quickly adapt our go-to-market strategy. - We always seek to differentiate ourselves from the competition and have increased our focus on product marketing, pricing and packaging to support this. - We continue to enhance our product portfolio through a mix of internal development, partnering and acquisition. - We maintain a strong focus on our core target markets within Europe, North America and APAC and work with partners to extend our reach in our chosen verticals. - Our acquisition strategy has opened up new markets and territories enabling cross sale as well as leveraging opportunities to increase the size of our customer base within established markets. We remain vigilant to further acquisition opportunities to develop further our strategic aims. <p>In progress</p> <ul style="list-style-type: none"> - We have maintained our activities in relation to our product development roadmap and have also set up teams to review potential new developments to support our existing and potential customers as they respond to the pandemic. - We have taken some immediate action to preserve our short-term liquidity and to provide additional financial flexibility to support and invest as GBG comes out of the Covid-19 pandemic. We have also conducted extensive stress testing of our balance sheet, cash and access to draw down facilities to support the Board assessment of ongoing liquidity requirements to support its operations and potential investments. - Also, our Covid Team has workstreams covering the assessment of threats and opportunities of competitor activity in our markets. |
| Non-supply by Major Supplier  | <ul style="list-style-type: none"> - Some of our data and infrastructure is sourced from third party suppliers and partners. The removal from the market by one or more of these third party suppliers or interruption in supply could quickly and adversely affect our operations and result in the loss of revenue or additional expenditure. | <ul style="list-style-type: none"> - Our Product, Data and Technology Teams work strategically to prevent over reliance on any one key supplier, having multiple suppliers and other such mitigations where required. - Suppliers are carefully selected to minimise risk of supplier failure or insolvency. - We ensure our team members are aware of supplier requirements or restrictions to minimise the risk of loss of a supplier due to a breach of contractual obligations. <p>In progress</p> <ul style="list-style-type: none"> - In support of our work taken prior to the pandemic, as part of our Covid-19 business continuity plan ("BCP") process, we have conducted further and more immediate risk assessments and checks of our key suppliers BCPs to assess their preparedness and ability to meet GBG's ongoing requirements during the pandemic. The list was prioritised to deal with our most critical suppliers initially and work has continued in assessing those suppliers further down the priority. |

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| Risks | Description | Mitigation |
|--|---|---|
| Cyber Attack  | <ul style="list-style-type: none"> Given the nature of our business, the threat of unauthorised or malicious attacks on our IT systems is an ongoing risk. The risk of a cyber attack such as denial of service attacks, phishing, data theft and disruptive software campaigns is constantly evolving and becoming increasingly sophisticated. | <ul style="list-style-type: none"> We have cyber insurance in place and have established policies to protect the Group against a cyber attack and any security breaches, which is headed up by our Chief Information Security Officer. The Group's Information Security capability has been strengthened during the year to provide additional support and expertise. Cyber risk continues to be an ever increasing threat and the Group's strategy ensures continuing improvements in developing, maturing and testing our defences. We will continue to develop our InfoSec awareness programme with all of our team members to raise the knowledge of cyber risk and information security and use our global intranet training programme to ensure that all team members undergo training and development on cyber threats and good IT business practices. Penetration testing is conducted via an approved third-party specialist. <p>In progress</p> <ul style="list-style-type: none"> GBG has been diligent in maintaining the scope of review and monitoring of cyber threats. We are keenly aware of the increase in Covid-19 relating phishing and fraud attempts and have dealt with these issues proactively including an awareness campaign to update all of our team members to supplement prior training given. |
| Loss of Data and Systems Despite Disaster Recovery & Business Continuity Plans  | <ul style="list-style-type: none"> We have an understandable reliance on our IT systems and people. In the event of an incident affecting business continuity, we would initiate our business continuity plans; however, the loss of key components as a result of the incident could affect the Group's operations and result in additional expenditure. | <ul style="list-style-type: none"> Our global business continuity programme covers policies and procedures for the key components of each of the businesses' operating units. During the latter part of the 2020 financial year, the Group instigated a comprehensive review of our business continuity programme to ensure that the programme continues to meet the needs of the Group as we continue to grow in size, diversity and complexity. Disaster recovery requirements and network security are regularly reviewed, back-ups are maintained in databases and data centres including off-site provisions. These policies and programmes are subject to annual review and audit. We engage and undertake due diligence with our data partners and suppliers to ensure vulnerabilities are identified and mitigated against. Risk analysis and mitigation processes relating to products and services that we either provide or consume. These are fed into a risk matrix where we track treatment plans against each risk. <p>In progress</p> <ul style="list-style-type: none"> As part of our increased monitoring of this risk area, the Covid Team receives daily reports on usage volumes of all of our services together with network service availability updates. This data has been provided throughout the period to identify trends and to support our activities. |
| Inability to Meet New Product Development and Scalability Challenges  | <ul style="list-style-type: none"> In order to maintain a competitive advantage, we invest significant amounts of resource into our product development. The development of all new technologies and products involves risk, including the product being more expensive, or taking longer to develop than originally planned; the market for the product being smaller than originally envisaged or that the product fails to reach the production stage. It is also imperative that our developments have the ability to scale as the business grows both in size and complexity. | <ul style="list-style-type: none"> We carry out extensive research and market analysis around the viability of a product before the development phase is initiated and have increased the involvement of customers throughout the process. We have increased the investment in our product development teams, ensuring that development meets both tactical and strategic business objectives. We continuously improve our development skills, processes and platforms to ensure that GBG adopts best practice and can address at pace potential challenges and opportunities. <p>In progress</p> <ul style="list-style-type: none"> A work stream of the Covid Team is to assess potential opportunities and developments to support our customers to address new challenges and working practices as a result of Covid-19. |

| Risks | Description | Mitigation |
|--|---|--|
| Loss of Intellectual Property  | <ul style="list-style-type: none"> We generally protect our proprietary application software products and services by licensing rights to use the applications rather than selling or licensing the computer source code. In addition to checking and auditing our customers' use of GBG's intellectual property, we also rely on trademark, copyright, patent and other intellectual property laws to establish and protect our proprietary rights in these products and services. However, there is a risk that our proprietary rights could be challenged, limited, invalidated or circumvented. | <ul style="list-style-type: none"> All of our contracts include provisions to protect the proprietary rights of the Group. GBG's legal function also ensures that such rights are protected during any negotiation with customers or suppliers. Where appropriate, we register trademarks globally and work closely with external advisors to ensure that the businesses' rights are safeguarded in all territories in which we operate. GBG has also invested increasing resource to improve proactivity in conducting audits on customer compliance with licensing obligations. <p>In progress</p> <ul style="list-style-type: none"> Where appropriate, we have allowed some flexibility in our terms when dealing with our customers as we look to support them during this time. However, this amenability in terms has not extended to any compromise in the protection of intellectual property rights of GBG and our third party data suppliers. |
| Ineffective Succession Planning and Skills Retention  | <ul style="list-style-type: none"> Our people are key to our success. We acknowledge that we operate in very competitive markets and that the skills that our people possess are attractive to other employers. Not having the right people and skills could impact negatively on our ability to service our customers and grow the 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. | <ul style="list-style-type: none"> We invest in developing the skills and abilities our people across of our locations and geographies. We offer competitive total benefits packages (compensation and benefits) and these are reviewed and benchmarked regularly. Employee engagement is monitored formally every six months through a Group-wide survey and the results are used to focus on improvement activities. We monitor attrition rates by business function and location in order to identify issues and, where necessary, take restorative action. <p>In progress</p> <ul style="list-style-type: none"> We acknowledge that we operate in a highly competitive talent market and as a result we have ensured that during the pandemic that we have continued to provide high levels of support and consideration to our team members' well-being and ongoing development. In light of Covid-19, the Board and the Remuneration Committee have discussed a range of proposals and potential actions to support these initiatives in order to maintain our ability to retain and attract talent needed by the business. |

Emerging Risks

As indicated at the start of this report, GBG's risks are continually reviewed and reassessed with escalation and reporting to the Board. The process considers all relevant internal and external factors, and is designed to capture those risks which are current but have not yet fully crystallised, as well as those which are expected to crystallise in future periods.

As a result of Covid-19, a further key and emerging risk to the Group's strategy is the impact of the pandemic on the geo-political and macro-economic environment. We already had risk review processes in place to address matters relating to downturn in economies and political change in the jurisdiction in which we operate (including Brexit). The precise duration and depth of the downturn is uncertain, but our focus is, and will continue to be, in managing emerging risks associated to the disruption to our business by Covid-19.

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Viability Statement

Our business model and strategic priorities are key to the Board's assessment of the Group's prospects. We continuously review these alongside forecasts and budgets in order to have a clear view, so far as is possible, on the viability of the Group over the medium term. The Board's assessment of viability is influenced by the businesses' current and projected performance against financial and non-financial KPIs and an analysis of principal risks within the Group's risk assessment framework. In the current year this assessment has included detailed consideration of the potential impact of Covid-19 on viability.

There are a variety of different time horizons relevant to assessing our prospects. Management currently forecasts as part of the business planning process and capital investment cycle over a varying period. A detailed bottom-up model is used to budget the business for a period of one-year in advance and a top down model for a period of five years.

We have continued to use a three-year timeline when considering viability because we believe to forecast across the entire group for a period longer than this with any significant level of certainty is difficult. Current market volatility and uncertainty in light of the Covid-19 outbreak only serves to reinforce this view.

In assessing the viability, the Board has considered the following:

- GBG operates across diverse sectors and has an extensive global presence which provides mitigation from over-reliance on key geographic markets;
- GBG products support businesses operating in an online world;
- GBG has strong cost control mechanisms; and
- There is considerable headroom available to us in our cash reserves and revolving credit facility agreement. This has been tested through stress testing, reverse stress testing and sensitivity analysis as part of the Going Concern review detailed in note 2.2.

Having considered all of the above factors, we have a reasonable expectation that the Group will continue in operation and meet our liabilities as they fall due over the next three-year period.

We acknowledge that this assessment is subject to uncertainties outside of our control and accordingly, the viability of the Group cannot be guaranteed.