

STRATEGIC OBJECTIVE	RISK CATEGORY	RISK DESCRIPTION	IMPACT	MITIGATION
<b>1 REBUILD</b>	<b>Production capacity</b>	Production capacity needs to be scalable in line with growth  Concentration of Lighting production at a single third party location reduces control and changes the order fulfilment process	— Inability to fulfil demand due to lack of product availability	— The Group has partnered with a world class manufacturing partner in order to ensure scalability of operations on a global scale — The Group has developed new processes to ensure that order fulfilment will be unaffected. Our manufacturing partner has a business continuity plan in place to deal with significant production disruptions
	<b>Operational programme risk</b>	There is a risk that operational capability could be impacted during the period of transition of the products and production platforms and changes to the demand planning process	— Inability to supply existing markets on a timely basis — Unforeseen liabilities	— The Group has robust plans and controls to ensure that changes are seamless. This is monitored and reviewed regularly to ensure that milestones are being met
	<b>IT systems</b>	The Group uses IT systems to operate and control its business; any disruption to this would have an adverse impact on the business. The Group also needs to ensure the protection and integrity of its data	— Inability to supply customers — Loss of revenue and significant business disruption — Loss of commercially sensitive information	— The Group is continually reviewing its IT systems to ensure that they are robust and scalable in line with the expansion of the business — There are back-ups built into all Group systems and the spread of systems offers good protection from individual events — Third party suppliers are used to provide data protection software
	<b>Political conditions</b>	The Group's main manufacturing plants are in Mexico and its main market is North America. Proposed import tariffs could impact the Group's business model. "Brexit" has introduced uncertainty to the level of tariffs on goods imported from Europe	— Reduced financial performance — Loss of market share — Unforeseen liabilities	— The Group is preparing contingency plans for alternative production locations in the event that significant import tariffs to North America are introduced — The Group is considering production locations within the EU
<b>2 LEAD</b>	<b>Succession planning and staff calibre</b>	Group performance is dependent on attracting and retaining high-quality staff across all functions	— Without good calibre staff, the Group will find it difficult to expand and achieve its strategic goals	— The Group's development programmes enhance the skills of executives and middle managers — A comprehensive recruitment process and ongoing evaluation assist high-quality hiring and development — Considerable time is spent assessing middle and senior management in order to identify succession plans
	<b>Intellectual property</b>	Theft or violation of intellectual property ("IP") by third parties or third parties taking legal action for IP infringement	— Proprietary technology used by competitors leading to loss of market share — Unforeseen liabilities	— All IP is protected by patents and potential violations are pursued through legal process — Patent office screening used to avoid infringing existing patents
	<b>Market trends</b>	To continue to lead the market, the Group must be able to identify where customer demand is trending and ensure that we have the products to match. The Group's sales strategy is based on the cumulative LED adoption rate being 6% in industrial lighting markets by 2019	— Loss of market share — Lower margins and revenue	— Feedback from customers is fed through a product strategy board to evaluate market intelligence — Internal and external marketing resources are used to review market trends and ensure that the Group's products remain at the forefront of the market
	<b>Compliance</b>	The Group needs to ensure that as the business expands, proper controls are put in place to ensure compliance with regulatory requirements relating to tax, trade and general code of conduct	— Fines and penalties for non-compliance	— The Group uses third party specialists to deal with local fiscal requirements — Requirements on material traceability will be provided through our manufacturing partner's systems — Training is provided for all staff on bribery/corruption legislation
	<b>Reputational</b>	Corporate profile and products need to retain brand equity	— Loss of market share	— Corporate profile is protected using external advisers — Brand quality is central to the product development and product build quality is rigorously imposed
<b>3 GROW</b>	<b>Competition</b>	Failure to deliver technologically advanced products or to execute sales strategy could result in loss of market share	— Loss of market share — Lower margins and revenue	— The Group continually invests in research and development to push the boundaries of product development. The Group develops new products based on an ROI process to mitigate the risk of abortive expenditure
	<b>Economic conditions</b>	The Group's operations are located across a number of jurisdictions, which exposes the Group to a range of economic conditions	— Reduced financial performance — Loss of market share — Unforeseen liabilities	— The Group's geographical diversity limits its exposure to economic risk in any one country — The Group does not have significant operations, cash or assets in economically uncertain regions
	<b>Supply chain</b>	The Group's ability to supply high-quality finished goods is dependent on having a robust supply chain	— Unable to meet customer demand through failure of a key supply chain partner — Delays in meeting customer demand	— The Group has an ongoing programme to ensure that all critical components have dual suppliers and dual components specified — Critical suppliers are subject to due diligence and ongoing monitoring
	<b>Funding</b>	The Group needs to ensure that it has access to sufficient cash in order to fund working capital and expansion	— Curtailed trading — Inability to execute merger and acquisition opportunities	— The Group has an undrawn £25m revolving credit facility with an additional accordion feature for another £25m
	<b>Foreign exchange</b>	Foreign currency risk is the most significant treasury related risk for the Group. In times of significant volatility this can have a material impact on performance	— Volatile financial performance arising from translation of profit from overseas operations — Most of the Group's profit earned is not in the reporting currency	— The Group uses natural hedging to cover operational exposure as the majority of revenue and costs are in US Dollars. As the business expands geographically, the use of forward contracts will be reviewed to limit operational exposure on a selected currency basis — Translational exposure is not currently hedged but the Group reports key financial indicators on an actual and a constant currency basis