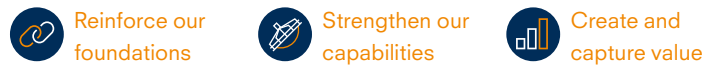


Principal risks and uncertainties

Gross risk



Link to strategy



Risk	Risk Description	Gross risk	Impact on strategy
PRODUCTION CAPACITY	<p>Production capacity needs to be sufficient to ensure current orders can be fulfilled in a timely manner and be scalable to support growth</p> <p>Risks to production capacity by using a single-site location, for the manufacture of all Lighting products</p>	H	<p>KPIs</p> <ul style="list-style-type: none"> – Revenue – Underlying operating profit – On-time delivery – Order growth
SUPPLY CHAIN MANAGEMENT	<p>The procurement planning process is dependent on the accuracy of sales forecasts to ensure adequacy of component supply</p> <p>The Group needs to maintain a robust supply chain</p>	H	<p>KPIs</p> <ul style="list-style-type: none"> – Revenue – Underlying gross profit – On-time delivery – Order growth
IT SYSTEMS	<p>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</p>	M	<p>KPIs</p> <ul style="list-style-type: none"> – Revenue – Underlying operating profit – On-time delivery – Order growth
POLITICAL CONDITIONS	<p>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. The Group has operations in countries with unstable political climates hence there is a risk of tax changes. Brexit has introduced uncertainty to the level of tariffs on goods imported from Europe into the UK</p>	M	<p>KPIs</p> <ul style="list-style-type: none"> – Revenue – Underlying operating profit
SUCCESSION PLANNING AND STAFF CALIBRE	<p>The Group performance is dependent on attracting and retaining high-quality staff across all functions</p>	M	<p>KPIs</p> <ul style="list-style-type: none"> – Revenue – Retention

Gross risk

L Low
M Medium
H High

Link to strategy

Reinforce our foundations
 Strengthen our capabilities
 Create and capture value

Risk	Risk Description	Gross risk	Impact on strategy
INTELLECTUAL PROPERTY	Theft or violation of intellectual property (“IP”) by third parties or third parties taking legal action for IP infringement	M	 KPIs – Revenue – Underlying operating profit
MARKET TRENDS & COMPETITION	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. Failure to deliver technologically advanced products or to execute sales strategy could result in loss of market share	M	 KPIs – Revenue – Order growth
PRODUCT DEVELOPMENT STRATEGY	Ability to deliver new products to the market on a timely basis	M	 KPIs – Revenue – Underlying gross profit – Order growth
PRODUCT RECALL	The Group gives a ten year warranty on Lighting products	M	 KPIs – Underlying operating profit
FOREIGN EXCHANGE	The Group reports in Sterling; however, the majority of its revenues and its cost base are in US Dollars. Fluctuations in exchange rates between Sterling and US Dollar could cause profit and balance sheet volatility	M	 KPIs – Revenue – Underlying operating profit