

Risk	Potential impact	Mitigating activities
Economic and market risks		
Macroeconomic conditions		
<p>The business conducts most of its operations in North America and would be affected by a downturn in general economic conditions in this region. The promotional products market would likely soften in line with the general economy.</p>	<ul style="list-style-type: none"> • Customer acquisition and retention metrics could fall. • The growth and profitability levels called for in the Group strategic plan may not be achieved. • Cash generation could be reduced broadly corresponding to a reduction in profitability. 	<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 quality of product can be adjusted to resonate with the prevailing economic climate.
Competition		
<p>The promotional products markets in which the business operates are intensely competitive and the rapid development of internet commerce, digital marketing and technological innovation may allow competitors to reach a broader audience. In addition, new or disruptive business models may be developed by existing competitors or new entrants.</p>	<ul style="list-style-type: none"> • Aggressive competitive activity could result in pressure on prices, margin erosion and loss of market share. All of these factors could impair the growth of the business and therefore impact the financial results. • The Group's strategy based on achieving organic growth in fragmented markets may need to be re-assessed. 	<ul style="list-style-type: none"> • An open-minded culture and an appetite for technology are encouraged, with the aim of positioning the business at the forefront of innovation in the industry. • Management proactively monitors competitive activity in the marketplace. • Price, satisfaction and service level guarantees are an integral part of the customer proposition. Customer surveys and market research are used to gauge customer satisfaction and perception, and the causes of any negative indications are investigated and addressed rapidly.
Currency exchange		
<p>There is some exposure to currency exchange risk. Although the business trades predominantly in US dollars, it also transacts business in Canadian dollars, Sterling and Euros, leading to some currency risk on trading. In addition, head office costs, pension scheme commitments and dividend payments are payable in Sterling, consequently the business may be adversely impacted by movements in the Sterling/US dollar exchange rate when it repatriates cash to the UK.</p>	<ul style="list-style-type: none"> • The financial results of operations, and therefore overall profitability, may be negatively affected. • The financial condition and cash position of the Group may differ materially from expectations. In particular, the Group's strategic objective of delivering progressive dividend increases could be disrupted. 	<ul style="list-style-type: none"> • The Group reports its results in US dollars, minimising currency impact on reported revenue, operating profit and net assets since trading operations are concentrated largely in North America. • The Group uses forward contracts to hedge anticipated cash receipts from its overseas operations over a rolling 12 month timeframe, giving some certainty of amounts receivable in Sterling.

Risk	Potential impact	Mitigating activities
Operational risks		
<i>Business facility disruption</i>		
<p>The business model means that operations are concentrated in centralised office and distribution facilities. The performance of the business could be adversely affected if activities at one of these facilities were to be disrupted, for example, by fire, flood, loss of power or telecommunication failure.</p>	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • Data is backed up immediately to off-site servers. • Back-up and business continuity procedures are in place to ensure that customer service disruption is minimised. • Relationships are maintained with third party embroidery contractors to provide backup in the event of facility unavailability.
<i>Disruption to delivery service or the product supply chain</i>		
<p>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; or (ii) the primary parcel delivery partner used by the business suffered significantly degraded service levels.</p>	<ul style="list-style-type: none"> • Inability to fulfil customer orders would lead to lost revenue and a negative impact on customer acquisition and retention statistics. 	<ul style="list-style-type: none"> • A rigorous selection process is in place for key suppliers, with evaluation and monitoring of quality, production capability and capacity, ethical standards and financial stability. • Wherever possible, relationships are maintained with suitable alternative suppliers for each product category. • Secondary relationships are maintained with alternative parcel carriers.
<i>Disturbance in established marketing techniques</i>		
<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> <p>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.</p> <p>Online: Search engines are an important source for channelling customer activity to 4imprint's websites. The efficiency of search engine marketing would be adversely affected if the search engines were to modify their algorithms or otherwise make substantial changes to their practices or pricing.</p>	<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 acquisition and retention metrics 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. 	<ul style="list-style-type: none"> • Offline: Developments in the US Postal Service are closely monitored through industry associations and lobbying groups. Alternative parcel carriers are continuously evaluated. • Online: Management stays very close to new developments and emerging technologies in the online space. Efforts are focused on anticipating changes and ensuring compliance with both the requirements of providers and applicable laws. The Marketing team constantly tests and evaluates new marketing techniques and opportunities.
<i>Reliance on key personnel</i>		
<p>Performance depends on the business's ability to continue to attract, motivate and retain key staff. These individuals possess sales and marketing, merchandising, supply chain, IT and financial skills that are key to the continued successful operation of the business.</p>	<ul style="list-style-type: none"> • The loss of key employees or inability to attract appropriate talent could adversely affect the Group's ability to meet its strategic objectives, with a consequent negative impact on future results. 	<ul style="list-style-type: none"> • The business is proactive in aiming to deliver a first class working environment. In addition, attractive employment terms and incentive plans are designed with a view to attracting and retaining key personnel.

Risk	Potential impact	Mitigating activities
Technological risks		
<i>Failure or interruption of information technology systems and infrastructure</i>		
<p>The business is highly dependent on the efficient functioning of its IT infrastructure. An interruption or degradation of services at a central office facility would affect critical order processing systems and thereby compromise the ability of the business to deliver on its customer service proposition.</p>	<ul style="list-style-type: none"> • In the short term, orders would be lost and delivery deadlines missed for orders in-house, decreasing the efficiency of marketing investment and impacting customer acquisition and retention. Depending on the severity of the incident, longer term reputational damage could result. • Revenue and profitability are directly related to order flow and would be adversely affected as a consequence of a major IT failure. 	<ul style="list-style-type: none"> • There is significant ongoing 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 to minimise the impact of information technology interruption, including real-time replication of data at an alternative site.
<i>Failure to adapt to new technological innovations</i>		
<p>The operating platforms of the business may not be able to respond and adapt to rapid changes in technology. If the development of websites and customer-facing applications for alternative devices and platforms is slow or ineffective the business could lose competitive edge. In addition, the development of order processing, supplier-facing and data analytics technologies could fail to deliver the improvements in speed, ease and efficiency necessary to attract and retain a productive customer base.</p>	<ul style="list-style-type: none"> • If the business fails to adapt to new technologies and therefore falls behind in the marketplace it may fail to capture the number of new customers and retain existing customers at the rate required to deliver the growth rates called for in the Group's strategic plan. 	<ul style="list-style-type: none"> • Management has a keen awareness of the need to keep pace with the rapidly changing and continuously evolving technological landscape. • An appetite for technological innovation is encouraged in the business. Sustained investment is made in the development of both outward-facing and back office systems.
<i>Security of customer data</i>		
<p>Unauthorised access to and misappropriation of customer data could lead to reputational damage and loss of customer confidence.</p>	<ul style="list-style-type: none"> • 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 extraordinary expense, impacting the Group's ability to meet its earnings per share targets. 	<ul style="list-style-type: none"> • The business employs IT staff who are appropriately trained to mitigate IT security violations. In particular, emerging cyber risks are proactively monitored and addressed. • Technical and physical controls are in place to mitigate unauthorised access to customer data and there is an ongoing investment process in place to maintain and enhance the integrity and efficiency of the IT infrastructure and its security.