

# 6 Risk

## Internal

### The significant growth of the Group puts pressure on key resources

Risk description	Potential impact	Mitigation
Growth will depend on the ability of the Group to expand operations and to develop its supply base, Group infrastructure and people.	Failure to manage the pace of change effectively could impact on the Group's financial results.	The Group's strategic objectives are reviewed continually for their impact on the infrastructure. The process of investment will continue.

### The Group may not be able to effectively control and monitor its suppliers to comply with labour, employment and other laws

Risk description	Potential impact	Mitigation
While the Group requires its suppliers to operate in compliance with local and international legislation and with an internationally accepted code of practice, it may not be able to control these manufacturers and so cannot ensure absolute compliance.	There is potential for the Group to suffer negative customer and stakeholder sentiment with associated impact on customer and investor appeal.	The Group will engage with its supply base to operate in accordance with its ethical trading code of practice. The Group will assess the status of operating practices through a schedule of focused audits and work with suppliers, where necessary, on improvement plans.

### Business interruption at the Group's distribution centres

Risk description	Potential impact	Mitigation
As a major retail and wholesale business, the Group relies on the effective operation of its distribution centres which could be disrupted through a major incident such as a fire.	There is potential for the Group to suffer loss or damage to stock holding and disruption to its store and customer replenishment capability.	The Group recognises the reliance it has on its distribution centres and has invested in a number of major improvements to protect these facilities and will continue to do so. Where the Group utilises third party storage services, which will provide some additional contingency, it ensures that standards are appropriate and regularly monitored.

### Loss of a key factory or supplier at a critical point in the design and manufacturing process that leaves no time to arrange alternative sources of supply

Risk description	Potential impact	Mitigation
As the Group grows, it is crucial that a robust, flexible and cost effective supply base meets the Group's needs for volume growth, quality, timeliness and accuracy.  The Group may potentially lose, at a critical time, one or more of its suppliers, through a break down in the contractual relationship, the supplier being no longer commercially viable, or as the result of a major incident.	If the Group fails to manage its supply base effectively, or events occur that are outside its control, product volume, delivery and quality issues may arise with associated reputational damage within its customer base.	The Group has a number of long-standing and closely monitored relationships with suppliers with whom it continually seeks ways to improve capability, and has actively developed its supply base to build dual sourcing capability and reduce over-reliance on single suppliers and factories. This process is ongoing.

# 6 Risk

## ■ Internal (continued)

### The Group's disaster recovery plans may not be sufficient

Risk description	Potential impact	Mitigation
The Group depends on the availability of its facilities (both in-house and outsourced) and the performance, reliability and availability of its information technology and communications systems. Any damage or denial of access to these systems could disrupt operations.	Should any of these facilities be damaged or lost the Group's ability to trade will be impaired.	The Group continues to invest in improving the protection of its business, and the IT systems will be replaced over the next 24 months. The Group requires that third parties have robust contingency plans in place.

### Loss of key individuals

Risk description	Potential impact	Mitigation
<p>The Group will always carry the risk of the loss of one or more of the Executive Directors or senior managers.</p> <p>In particular, the loss of Julian Dunkerton and/or James Holder, who are both held to be synonymous with the Superdry brand, would potentially be of greater significance.</p>	There could be significant focus from investors and stakeholders relating to our ability to maintain and expand the brand and Group.	The Directors have made a number of senior appointments and will continue to do so, to provide strength across the Group.

### Breach of intellectual property and counterfeit product

Risk description	Potential impact	Mitigation
<p>The retail clothing and fashion industry and, in particular, iconic brands such as Superdry, will continually be a target for both large and small scale counterfeit operations.</p> <p>Additionally, the Group must actively monitor and assess its designs to ensure that it does not infringe the copyright of others.</p>	<p>Copied or counterfeit Superdry branded products, with inferior quality and design, reach both existing and future sales territories with a potential to damage brand integrity.</p> <p>Infringement by the Group of third party copyright may result in costly legal proceedings and damages.</p>	Working with third party services the Group constantly monitors its supply chain and the global sales of Superdry branded product by unlicensed parties, taking necessary action to both stop, and where possible, take proceedings against them.