

Risk Management Report

Risk management is an integral part of Illovo's business management. The safety, security and preservation of its people and property are essential for the group's sustainable growth.

The focus of risk management in Illovo is on identifying, assessing, mitigating, managing and monitoring all known forms of risk across the group. Management is involved in a continuous process of developing and enhancing its comprehensive systems for risk identification and management.

The major risks and their relevant mitigating and management strategies are the subject of the ongoing attention of the board and are given particular consideration in the annual strategic plan which is approved by the board.

KEY RISK MATRIX

The key risks identified in the year under review are set out in the table below. The risks identified, both internal and external in nature, were those considered to have potentially the most material impact upon the group if realised. Each risk is identified in terms of its potential likelihood and impact without mitigating controls, and those after mitigating controls. For internal purposes, quantification of each risk is made in monetary terms, together with the allocation of its responsibility.

Description of risk	Without mitigating controls		With mitigating controls	
	Likelihood	Impact	Likelihood	Impact
Exchange rate movements	High	High	High	High
Abnormal weather conditions	Medium	High	Low	High
Profit exposure due to world sugar price movement	High	High	High	Medium
Local market revenue	Medium	High	Low	Medium
Access to preferential sugar markets (access and price)	Medium	High	Medium	Medium
Regional market revenue – exposure to world sugar price	Medium	High	Medium	Medium
Factory performance	High	Medium	Medium	Medium
Asset protection/maintenance	Medium	Medium	Low	Low
Projects/expansions (delays, costs, returns)	High	High	Medium	Medium
Agricultural development	Medium	Medium	Low	Low
Environmental issues (compliance, product safety)	Medium	Medium	Low	Low
Finance/liquidity	Medium	Medium	Low	Low
Political issues	Medium	High	Medium	Medium
Health care	High	Low	Medium	Low
Skills retention	Medium	High	Low	Medium
Illovo brand and culture	Medium	Medium	Low	Low
Legal compliance	Medium	Medium	Low	Low
Industrial relations	Medium	Medium	Low	Low
Fraud	High	Low	Medium	Low

Business continuity plans for all sites have been developed through a process of considering and assessing all possible major risks which may impact the business.

The management of financial risk is covered under note 41 to the financial statements on pages 140 to 143.

The management of operational risk is a line function, conducted in compliance with a comprehensive set of group policies and standards to cover all aspects of operational risk control. In order to strengthen risk management within the group, Illovo has recently re-structured resources and appointed senior risk control managers in each country of operation. Reporting systems and formats have been standardised; performance is measured on a regular basis by means of both self-assessments and audits by independent consultants. In addition, the group promotes ongoing commitment to the management and control of risk by participating in externally organised risk management and safety systems. Further information in this regard is provided under Social Impact on page 79 of this report.

Insurance cover on assets is based upon current replacement values. Consistent with the high standard of risk management, a substantial portion of risk is self-insured, at costs well below market premiums. All risks are adequately covered, except where the premium cost is excessive in relation to the probability and extent of loss.