RISK MANAGEMENT

The board has the overall accountability for risk management and has delegated the responsibility to the audit and risk committee. The core responsibilities are:

- setting the company's risk appetite and overall risk management strategy
- developing appropriate risk management and governance systems
- establishing and maintaining effective monitoring of internal control systems.

The chief executive officer, through the subsidiary boards, is accountable for the implementation and maintenance of sound risk management. A top-down approach to risk management was adopted to enable the board to focus on the controls addressing the most significant risks. Risk mitigation is integrated into the day-to-day operations and activities in all subsidiaries with subsidiary directors held accountable for the communication of all risks to the chief executive officer. Risk registers are drafted and kept updated for the key areas of the business, including a strategic risk register covering the group.

The risk management process has been enhanced with the implementation of new risk framework and policy. A group risk officer has been appointed to manage the continual improvement and reporting across the group at both a strategic and operational level. The risk tolerance and limits in terms of risk appetite are currently being implemented along with a revised risk scoring methodology. The effectiveness of controls to mitigate each risk is evaluated using judgement. In instances where the perceived residual risk exceeds the risk appetite, a risk mitigation plan is agreed and documented, champions assigned to execute the actions and implementation dates set. The results, including action plans to mitigate risks which exceed the risk appetite, are reported to the audit and risk committee.

Non-compliance risks are reviewed by the audit and risk committee. No judgement, damages, penalties or fines were recorded and/or levied against any group company, directors or employees during the period under review for non-compliance with legislation. Financial, forex and interest rate risks are noted in note 28 of the annual financial statements and managed by executive directors.

The key risks are set out below:

Financial controls
Lack of financial controls and management override is a known historic risk, which in the past impacted the financial results and necessitated financial restatement of results. The most critical areas of risk have been addressed through enhancement of financial oversight and review of report figures. This remains an area of focus whereby appropriate disciplines and controls are driven down to all layers in the organisation.

Working capital
The group's business is working capital intensive. This is particularly relevant for the Food and Agricultural divisions during high season. Working capital is utilised to finance inventories and accounts receivable. Management of working capital through inventory control and effective accounts receivable management is also crucial for the business and is a key focus of management.

Key customer concentration
In some business units a significant portion of our sales revenue is generated through sales to a limited number of customers, any adverse development affecting our significant customers or our relationships with such customers could have an adverse effect on the group's credit risk profile, business and results of operations.

Systems continuity
The risk of unexpected failures to the IT systems, infrastructure, data security and disaster recovery as well as power supply could cause severe interruptions to the business. The current systems in place have weaknesses which have been identified and proposals to address the areas of concern are currently being reviewed and will be actioned accordingly.

Environment and safety
The risk of chemical incidents poses a threat to the environment, health and safety of employees and in turn business continuity. Robust systems and processes are in place on the various sites to mitigate this risk. In addition, the group has appropriate business interruption insurance cover.

Product liability claims
In several of the business units there is an inherent risk of product liability claims. The risk is mitigated by strong controls over the transport and storage environment and by appropriate product liability insurance cover.

Crime effect on business
The group is potentially subject to a variety of criminal threats including fraud, and theft or loss of inventory caused mainly by (insider) employee theft (picking or packing fraud) which can lead to substantial financial losses.

Reputational risk
There is an inherent risk of both corporate and operating reputational damage due to, among other things, accounting misstatements, unethical practices and defective products or services which could cause financial loss to stakeholders. The prior year restatements required had a reputational impact at a corporate level and appropriate measures have been taken to recover from the damage caused.