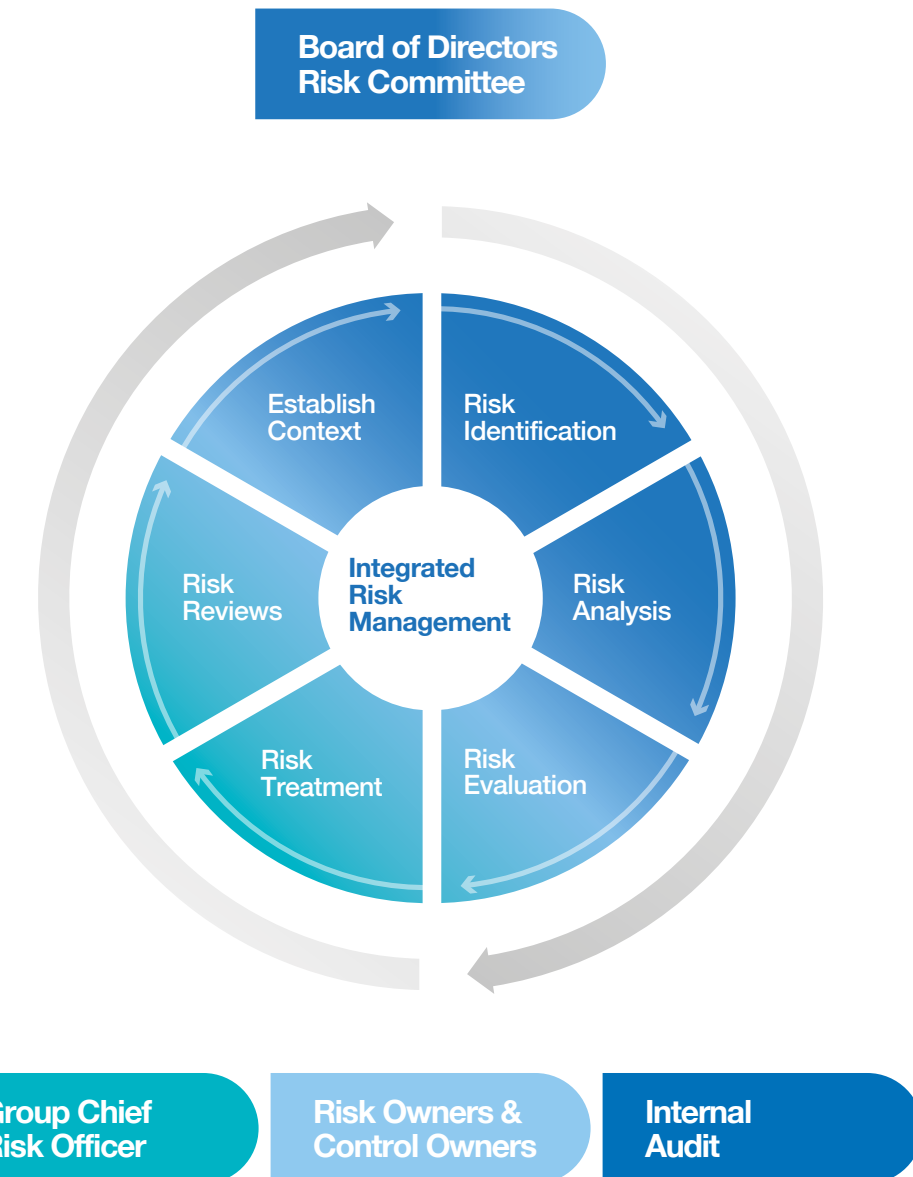


# 06 Risk Management



# Risk Governance & Methodology

Omnicanne's Enterprise Risk Management function is embedded throughout our Group and ensures an integrated approach to managing current and emerging threats to its operations and activities. We acknowledge that risk management plays a vital role in business strategy and planning discussions, where our defined risk appetite and risk tolerances facilitate risk-return discussions and sets boundaries to Group-wide risk-taking. This also allows us to take a precautionary approach to our activities and operations. Through its Risk Committee, the Board of Directors ensures that resources are deployed effectively in identifying and addressing risks and managing them appropriately for value creation.





# Risk Governance & Methodology (cont'd)

## Risk Ratings

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In the Framework, two levels of risk are considered: risks identified at Board level and risks identified at business unit level. The Board is responsible for management of the board risks and the department heads/risk owners are responsible for managing risks identified at business unit level. The risks identified at business unit levels were mapped to the relevant board risks. Each risk was therefore rated in terms of likelihood and impact, and a total score was obtained (product of likelihood and impact ratings). The information gathered through risk analysis was used to inform the risk evaluation and guide risk treatment to be chosen.

Category	Score Range
Low	1 – 5
Medium	6 – 10
High	11 – 25

## Risk Categories

In recognition that risk may arise at multiple levels (from taking strategic decisions, to implementing supporting actions) and take many forms, Omnicane categorised its risks as follows:

- Financial
- Operational
- Political & Regulatory
- Natural Environment
- People
- Business Environment & Market
- Partners & Suppliers

## Risk Statistics 2018



## Our Material Risks

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The 10 material risks that we have prioritised this year as having a material impact on Omnicane’s ability to create value are described below.

Risk	Rating	Risk drivers	Impact on value	Mitigating actions
<b>Risk Category: Financial</b>				
<b>1 Exchange rate fluctuations</b>	High	This may arise from international economic situations, or changes in inflation or interest rates	<ul style="list-style-type: none"> <li>• Higher costs or lesser revenue</li> <li>• Decreased profitability</li> </ul>	<ul style="list-style-type: none"> <li>• Hedging</li> <li>• Group Treasury manages all foreign purchases</li> <li>• Use of real time information to make informed decisions</li> </ul>
<b>2 Fluctuations in commodity prices</b>	High	This may occur as a result of the abolition of sugar quotas leading to low prices for sugar on the international market or world market prices for bioethanol	<ul style="list-style-type: none"> <li>• Loss in revenue</li> <li>• Impact on output of operations</li> <li>• Reputational impact due to untimely product delivery</li> </ul>	<ul style="list-style-type: none"> <li>• Hedging</li> <li>• Regular consultation with MSS representatives and keeping aware of changes affecting sugar pricing</li> <li>• Establishment of a sugar trading and marketing department</li> <li>• Tracking of market trends/ forecasts</li> <li>• Keeping products in stock up to the storage limit</li> </ul>
<b>Risk Category: Operational</b>				
<b>3 Decreasing land under cane cultivation</b>	High	This may occur due to the Group’s diversification strategies, e.g. property development and/ or abandonment of sugarcane cultivation by small planters	<ul style="list-style-type: none"> <li>• Reduced sugarcane production</li> <li>• Loss of revenue</li> </ul>	<ul style="list-style-type: none"> <li>• Re-landscaping of fields to increase cane yields and mechanisation</li> </ul>
<b>4 Shortage of raw materials</b>	High	This may arise from reduced sugarcane harvest, leading to lower volumes of molasses and bagasse or unavailability of supplier to provide raw materials	<ul style="list-style-type: none"> <li>• Reduced operations/ temporary stoppage</li> <li>• Increased production cost</li> <li>• Reputational impact with respect to clients</li> </ul>	<ul style="list-style-type: none"> <li>• Planters’ Cane Advisory Department proposes total cane management services for small planters and liaises with contractors to provide them with quality service at a competitive price</li> <li>• Awareness campaigns to encourage contractors/planters to harvest and transport sugarcane to the mill in a timely manner</li> <li>• Core sampling of sugarcane at the factory for quality control</li> </ul>

# Risk Governance & Methodology (cont'd)

## Our Material Risks (cont'd)

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Risk	Rating	Risk drivers	Impact on value	Mitigating actions
<b>Risk Category: Operational</b> <small>(cont'd)</small>				
<b>5 Fire outbreak</b>	High	This may arise from the presence of flammable substances, defective equipment or poor maintenance	<ul style="list-style-type: none"> <li>• Temporary stoppage of operations</li> <li>• Loss of revenue</li> <li>• Injuries/ Fatalities</li> <li>• Increased cost of repairs</li> </ul>	<ul style="list-style-type: none"> <li>• Personnel training for use of equipment and fire drills in accordance with the Occupational Health and Safety Act 2005.</li> <li>• Implementation of emergency response procedures</li> <li>• Compliance with safety procedures</li> <li>• Installation of foam suppression system on all tanks and sprinklers at each level of the distillery</li> <li>• Regular maintenance and monitoring of operations</li> </ul>
<b>6 Information security and cyber resilience</b>	High	This could result from poor data management and privacy standards, inadequate cybersecurity safeguards or cybercrime in the form of ransomware	<ul style="list-style-type: none"> <li>• Financial impact</li> <li>• Operational impact</li> <li>• Reputational impact</li> </ul>	<ul style="list-style-type: none"> <li>• Enhanced data governance and privacy practices</li> <li>• Proactive management of third party exposure</li> <li>• Improved security posture on all architectural layers</li> <li>• Proactive vulnerability scanning</li> <li>• Regular sensitisation of business users</li> </ul>
<b>Risk Category: Political &amp; Regulatory</b>				
<b>7 Changes in legal and other requirements</b>	High	This may arise from international or local economic situations, political motivations or market/customer requirements	<ul style="list-style-type: none"> <li>• Financial impact</li> <li>• Operational impact</li> </ul>	<ul style="list-style-type: none"> <li>• Control by Omnicane's Legal and Compliance Department, or ensuring that the Company is complying with legal and other requirements</li> </ul>

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Risk	Rating	Risk drivers	Impact on value	Mitigating actions
<b>Risk Category: Natural Environment</b>				
<b>8 Non-compliance with environmental legislation</b>	High	This may arise due to equipment failure, quality of raw material, change in legislation, sabotage or poor air quality, amongst others	<ul style="list-style-type: none"> <li>• Fine and imprisonment</li> <li>• Temporary closure of business</li> <li>• Reputational risk</li> <li>• Financial risk</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental Management system in place in some operations</li> <li>• Abide by maintenance schedule</li> <li>• Emergency response procedures are in place</li> <li>• Monitoring and measurement of operations</li> </ul>
<b>Risk Category: People</b>				
<b>9 Injuries at work</b>	High	This may be caused by human negligence, lack of communication or training, inadequate use of Personal Protective Equipment (PPE), work pressure or unsafe work environment	<ul style="list-style-type: none"> <li>• Fines and penalties</li> <li>• Strained relations with employees</li> <li>• Temporary slowdown of operations</li> <li>• Reputational impact</li> </ul>	<ul style="list-style-type: none"> <li>• Proper work planning</li> <li>• Regular health and safety audits, safety risk assessments and trainings</li> <li>• OHSAS 18001 certification effective for the Company's two power plants.</li> <li>• Provision of PPE to employees/contractors as and where applicable and raising awareness about workplace health and safety requirements</li> </ul>
<b>Risk Category: Business Environment &amp; Market</b>				
<b>10 Property over supply on the market</b>	Medium	This may arise from business diversification, government policies and incentives and/or economic and political stability	<ul style="list-style-type: none"> <li>• Loss in potential revenue</li> </ul>	<ul style="list-style-type: none"> <li>• Market survey conducted prior to each project</li> </ul>

### Risk Treatment

Risk treatment involved examining possible options to determine the most appropriate action for managing the risk. Treatment actions are required where current controls are not managing the risk within defined acceptable levels. Treatment plans involve providing controls or improving/modifying existing controls and implementing additional controls.

### Risk Reviews

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Omnicane realises that risk has a dynamic context resulting from the constantly changing external and internal environments. After completing a risk assessment, Omnicane reviews not only risks but also the effectiveness and adequacy of existing controls, risk treatment plans and the process for managing their implementation. The monitoring and reviewing process is automated on a cloud-based system.