

Our risk framework

Effectively managing the risks we face

Tate & Lyle is exposed to a number of risks which might have a material adverse effect on our reputation, operations and financial performance.



The Board has overall responsibility for the Group's system of risk management and internal control. The schedule of matters reserved to the Board ensures that the Directors control, among other matters, all significant strategic, financial and organisational risks.

Approach

The Group's enterprise-wide risk management and reporting process helps management to identify, assess, prioritise and mitigate risk. This bottom-up process involves a rolling programme of workshops, facilitated by the risk management team, held around the Group. The current and forward-looking risks identified are collated and reported through functional and divisional levels to the Group Executive Committee. These risks are also reviewed by the Board on a top-down basis to assess the key risks facing Tate & Lyle. This dual approach culminates in the identification of the Group's key business, financial, operational and compliance risks with associated action plans and controls to mitigate them where possible (and to the extent deemed appropriate taking account of costs and benefits). This output is reviewed by the Board. As part of the annual risk assessment process, the Board also reviews emerging and 'black swan' risks facing the Group.

Responsibility for managing each key risk and the associated mitigating controls is allocated to an individual executive within each division. As part of the process, senior executive management formally confirms once a year that these key risks are being managed appropriately within their operations and that controls have been examined and are effective. The confirmations and any exceptions are discussed at the Audit Committee and Corporate Responsibility Committee, and, where appropriate, reported to the Board.

During the year ended 31 March 2014, the Board and the Group Executive Committee undertook an exercise to consider the nature and extent of the Group's risk appetite. The results of this exercise, which includes a retrospective review of how the prior year risk appetite has been applied in practice, are used as part of the Group's strategic planning activities, and in considering ongoing mitigating actions.

The Group's risk management process continues to follow the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Enterprise Risk framework. The COSO framework provides a process to manage the risk of failure to achieve business objectives and assurance against material loss or mis-statement.

Key risks

Key risks and uncertainties identified as part of the risk management process undertaken during the year, together with some of the mitigating actions we are taking, are set out on pages 30 and 31. It is not possible to identify or anticipate every risk that may affect the Group. Our overall success as a global business depends, in part, upon our ability to succeed in different economic, social and political environments and to manage and to mitigate these risks.

RISKS | CONTINUED

Risks	Impact and description	Examples of mitigating actions
<p>Safety</p> <p>Failure to act safely and to maintain the safe and continuous operation of our facilities.</p>	<p>The safety of our employees, contractors, suppliers, and the communities in which we operate is paramount. We must operate within local laws, regulations, rules and ordinances relating to health, safety and the environment, including emissions. The operation of plants involves many risks, which could cause a temporary or permanent stoppage in production and could have a material adverse effect on the Group.</p>	<ul style="list-style-type: none"> • Health and safety policies and procedures at all facilities with dedicated staff to ensure they are embedded and measured • Regular review of performance and policies by the Corporate Responsibility Committee • Business continuity capabilities in place to enable supply, as quickly as practicable, of product to customers from alternative sources in the event of a natural disaster or major equipment or plant failure • Maintain suitable insurance programme against customary risks • Programme of global compliance audits; senior executives also undertake annual executive audits at the majority of our sites
<p>Strategy</p> <p>Failure to grow in speciality food ingredients.</p>	<p>The Group's strategy is to become the leading global provider of speciality food ingredients and solutions. The ability to deliver the strategy may be impacted by a number of factors such as delivering growth in emerging markets, acquisitions, customer readiness to adopt new ingredients and launch products using them, competitor actions, and growing key product or product families. Failure to deliver on this strategy over the longer term would negatively affect the Group's credibility and reputation.</p>	<ul style="list-style-type: none"> • Investments are being made to increase the Group's sales and technical resources, including in emerging markets • New staff recruited and existing staff developed to upgrade skill sets particularly in customer-facing areas and innovation • Internal capabilities have been enhanced to help promote growth through acquisition • Global programme has been established to enhance customer account management, planning and execution
<p>Innovation</p> <p>Failure to innovate and commercialise new products.</p>	<p>Failure to identify important consumer trends and provide innovative solutions, and the inability to successfully commercialise new products, could impact the delivery of the Group's strategy. This would affect its performance and reputation.</p>	<ul style="list-style-type: none"> • Three platforms have been established in Innovation and Commercial Development – sweeteners, texturants and health and wellness – to drive new product development and innovation in speciality food ingredients • Innovation and Commercial Development team works closely with customers and other external organisations to identify emerging trends • Open innovation team actively scouts for breakthrough technologies and opportunities across industries and universities • Global marketing organisation established to provide launch support for new product initiatives as well as base business expansion • Prioritise 'partnership' opportunities with customers to accelerate development cycles and time to market for new ingredients
<p>Quality</p> <p>Failure to maintain the quality of our products and high standards of customer service.</p>	<p>The safety of consumers of our products is critical. Poor quality or sub-standard products or poor customer service could have a negative impact on our reputation and relationships with customers.</p>	<ul style="list-style-type: none"> • Multiple steps in process testing in all product lines and strict quality control procedures to prevent release of product without full quality control clearance • Policies, procedures and performance reviewed regularly by the Corporate Responsibility Committee • Third-party audit programme in place, supplemented by internal global compliance audits • Recall simulation exercises undertaken
<p>People</p> <p>Failure to attract, develop and retain key personnel.</p>	<p>Performance, knowledge and skills of employees are central to success. We must attract, integrate and retain the talent required to fulfil our ambitions and deliver the Group's strategy. Inability to retain key knowledge and adequately plan for succession could have a negative impact on Company performance.</p>	<ul style="list-style-type: none"> • Remuneration policies designed to attract, retain and reward employees with ability and experience to execute Group strategy • Talent development strategy to provide opportunities for employees, as well as training to close skill gaps • Single global performance appraisal and talent planning processes and system in place • Increased Board-level focus on succession planning for business-critical roles
<p>Legal and regulatory</p> <p>Failure to comply with legislation and regulation.</p>	<p>The Group operates in diverse markets and therefore is exposed to a wide range of legal and regulatory frameworks. We must understand and comply with all applicable legislation. Any breach could have a financial impact and damage our reputation.</p>	<ul style="list-style-type: none"> • Regular monitoring and review of changes in law and regulation in such areas as health and safety, environment, quality, food safety and corporate governance • Global regulatory team, supported by external consultants, monitors local regulatory requirements affecting our products and how these change over time • Legal teams maintain compliance policies in areas such as anti-trust and anti-corruption law; and provide ongoing training to employees

Risks	Impact and description	Examples of mitigating actions
<p>Raw materials</p> <p>Fluctuations in prices and availability of raw materials, energy, freight and other operating inputs.</p>	<p>Margins may be affected by fluctuations in crop prices due to factors such as variations in local or regional harvest and weather conditions, crop disease, climate change, crop yields, alternative crops and co-product values. In some cases, due to the basis for pricing in sales contracts, or due to competitive markets, we may not be able to pass on to customers the full increase in raw material prices or higher energy, freight or other operating costs. Additionally, margins may be affected by customers not taking expected volumes.</p>	<ul style="list-style-type: none"> • Strategic relationships with suppliers and trading companies including multi-year agreements • Balanced portfolio of supply and tolling contracts in operation with customers to manage balance of raw material prices and product sales prices and volume risks • Raw material and energy purchasing policies to provide security of supply • Expanding network of corn elevators to enhance security of supply • Putting in place new or back-up supply sources in case primary suppliers face localised challenges
<p>Key projects</p> <p>Failure to implement the Group's programme to transform its operational capabilities.</p>	<p>The Group has committed to a programme to transform its operational capabilities, primarily by implementing common ways of working supported by a global IS/IT platform and global shared services. Issues arising in the implementation of this project would have an adverse impact on the Group's ability to achieve its strategy.</p>	<ul style="list-style-type: none"> • Ongoing refinements to programme based on lessons learnt in the process (e.g. phased go-live approach to mitigate the deployment risk) • Dedicated internal resources allocated to the project, working in conjunction with business teams • Formal steering committee (executive management) and Board/Audit Committee review of project progress against agreed milestones and timelines • Appointment of a highly experienced programme manager
<p>Reputation</p> <p>Failure to counter negative perceptions of the Group's products.</p>	<p>We must be fully prepared to counter unexpected/unfounded negative publicity about our products and seek to ensure the science behind our ingredients is supported by credible sources and is clearly communicated. Failure to do so would have a negative impact on the Group's performance and reputation.</p>	<ul style="list-style-type: none"> • Innovation and Commercial Development and regulatory experts substantiate relevant product claims prior to launch • Media relations advisors monitor coverage in both print and electronic media of the Group and its products and develop action plans to deal with any negative publicity • Participation in trade organisations and industry-wide initiatives to promote and protect our products
<p>Finance</p> <p>Failure to manage the balance sheet, particularly during periods of economic uncertainty.</p>	<p>We must manage our finances within strictly controlled parameters, particularly when external financial conditions are uncertain and highly changeable. The change programme currently being undertaken by the Group consists of a number of capital expenditure projects which, if not delivered successfully, could negatively affect the Group's performance and reputation.</p>	<ul style="list-style-type: none"> • Capital expenditure procedures to control and monitor allocation and spend • All new investments are evaluated against clear strategic and financial criteria; those approved are subject to greater scrutiny and have clear execution milestones • External resources and expertise used where required • Exposure to liquidity risk is managed by ensuring we maintain access to a wide range of funding sources, and by effective management of our cash resources
<p>Finance</p> <p>Failure to maintain an effective system of internal financial controls.</p>	<p>Without effective internal financial controls, we could be exposed to financial irregularities and losses from acts which could have a significant impact on the ability of the business to operate. We must safeguard business assets and ensure accuracy and reliability of records and financial reporting.</p>	<ul style="list-style-type: none"> • Policies to ensure that key tasks are segregated to safeguard assets • Finance and capital expenditure manuals set out procedure • Chief Executive and Chief Financial Officer undertake detailed quarterly business and financial reviews • Additional control processes put in place in recognition of the elevated risks posed by the implementation of the new global IS/IT system