



Building success through the
application of organisation-wide risk
management

The AWB experience.....

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Who is AWB.....?

Landmark

- \$1b merchandise sales
- 1mt fertiliser sales
- 2 million cattle
- 11 million sheep
- 500k wool bales
- \$1.4b real estate sales
- Other investments:
 - RD1
 - AWH
 - Hi-Fert

Financial Services

- Landmark loan book and Harvest Finance in excess of \$2.5b
 - Wealth management products
 - Insurance
 - BPay
 - Equipment finance
- Deposits over \$400m
- Gross written premium of average \$130m

Commodity Management

- Commodity Management
 - AWB Australia
 - AWB Geneva
 - AWB India
 - AWB Brazil
- Pool Management Services
- Supply Chain and other investments
 - 22 GrainFlow sites
 - 50% Share Melbourne Ports Terminal

2,500 employees 110,000 customers

40% of earnings from outside Australia in 2007

Points of presence: 459 domestic; 57 offshore

Our risk, governance and compliance framework



Three lines of defence model: clearly defines accountability for management and oversight of risk.

Our ERM journey

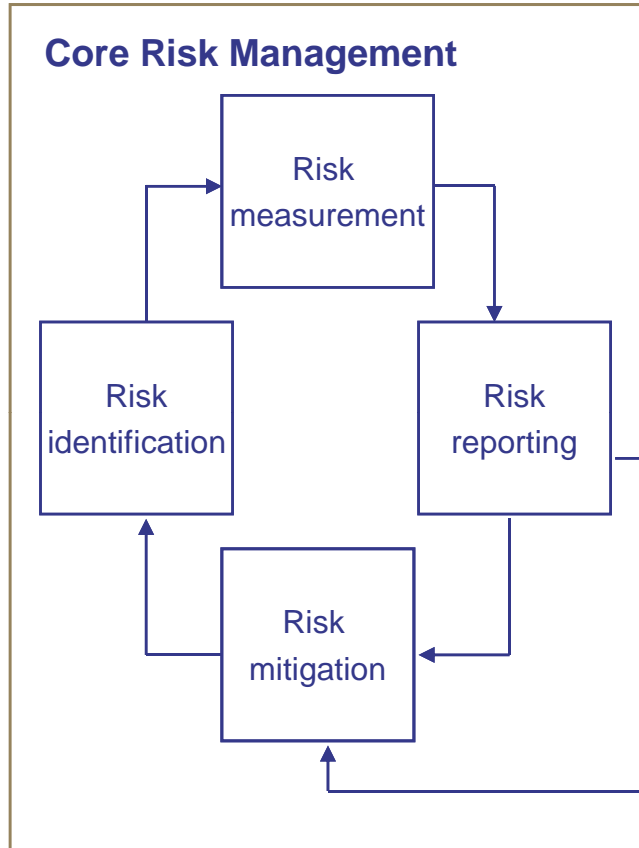
- First attempt was in 2003
- A system was built and ERMS was introduced to the company.
- Integration
- Ownership
- Usefulness
- Second attempt in 2008/2009.....

What does it look like now?

- *Policies and procedures*
- *Risk managers in business units*
- *Risk registers*
- *Risk assessment tools – calculators for projects and new activities*
- *Risk assessment within investment and change management processes*
- *Risk reporting at multiple levels*
- *Risk management in JD's and performance management*
- *Governance committees to review and approve significant matters*

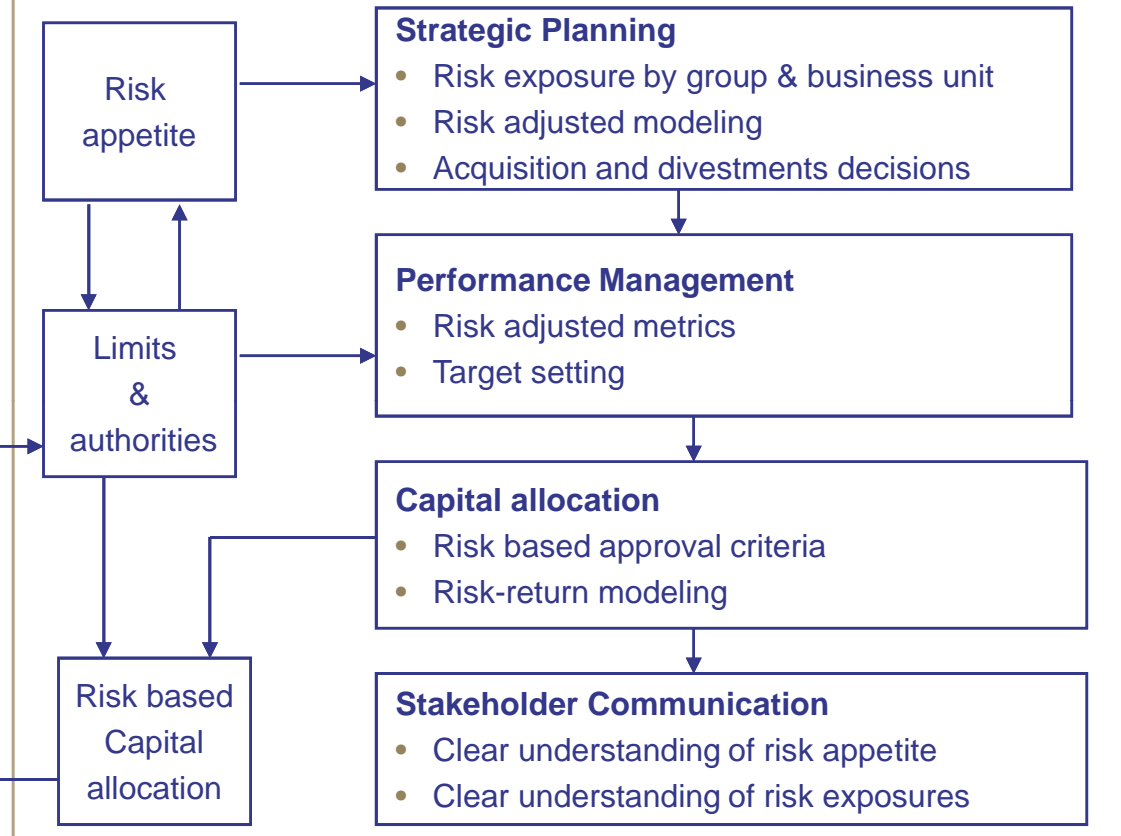
RAROC

Risk governance and oversight



How much risk are we taking and how is it being managed?

Strategic decision-making



Does our appetite align with strategy?

Allocate capital to optimise risk/return?

Risk Appetite

- *First appetite statement in 2007*
- *Objective was to get the Board to be specific about how much risk they were prepared to take*
- *Initially very basic but useful in engaging and educating our board*
- *Revised the process in 2009 – much more detailed*
- *Part of our strategic thinking*
- *Informs our limits and authorities*

Value delivered

- *Perhaps best explained by one example*
- *Live exports*
 - *Commenced early in 2008*
 - *Approved by the management investment committee*
 - *Business case outlined some (obvious) risks*
 - *No major compliance or risk problems*
 - *Profitable business*
- *Risk assessment undertaken in 2009 (post ERMS workshops)*
- *250 separate risks from paddock to destination (some outside our appetite)*
- *Changes*
 - *Revised T&C's (we found some weaknesses)*
 - *New processes*
 - *Changes to credit terms and FX management*

Black Swans

- *Black swan theory*
- *Low probability / high impact?*
- *Getting the balance right – assessing the probability and being realistic about impact*
- *Removing surprise*
- *The role of hindsight reviews*

Lessons learned

- *You don't always get it right the first time*
- *A major disaster can be helpful!*
- *Persistence is critical*
- *If you want the business to listen, speak in a language they understand*

“Risk in itself is not bad.

*What is bad is risk that is mismanaged,
misunderstood, mis-priced or
unintended”*

Questions

