

RISK MANAGEMENT

IT IS A KEY GOAL FOR AURIGA TO PRACTISE EFFECTIVE RISK MANAGEMENT, WHICH CAN CONTRIBUTE TO ACHIEVING THE GROUP'S STRATEGIC OBJECTIVES AND THEREBY ENSURE CONTINUED VALUE CREATION.

Auriga's overall strategic risk management is based on the following principles:

- Corporate Governance, which sets out guidelines for the group's management structure and values.
- Corporate Social Responsibility, which describes the code of business principles and norms to which all the company's employees conform no matter where in the world they are.
- Internal policies, which concern rules and procedures for relevant risk areas.

Internal risk management and control systems in connection with financial reporting

The objective of Auriga's internal risk management and control systems is to ensure a true and fair view of the financial statements in accordance with IFRS and other Danish disclosure requirements, including Section 107b of the Danish Financial Statements Act (Årsregnskabsloven).

In 2009, Auriga's Board of Directors established an audit committee which is to assist the Board of Directors in its supervisory duties, which include monitoring the financial reporting process, internal control and risk management systems and determining the relations with and framework for the external audit. Read more about the audit committee on Auriga's website.

Legally, the Auriga group is divided into independent companies with the subsidiary Cheminova A/S constituting the main activity. Cheminova is managed via a global matrix organisation with four regions and four global functions. Quality assurance of the financial reporting process takes place in close collaboration with local and regional finance functions and the group finance function. All local and regional finance functions, IT and other support functions report to the group management via the matrix organisation.

In order to counter, identify and correct errors in the financial reporting, the company has defined a number of control mechanisms such as accounting manuals, descriptions of procedures, segregation of duties, internal system controls and approval procedures. Each year, the management and Deloitte, the auditor appointed by the annual general meeting, agree on the scope of the audit and any separate focus areas in connection with the audit. No actual internal audit function has been established. The group's controller function monitors compliance with internal rules and procedures in connection with the financial reporting. In addition, visits at key subsidiaries and ongoing monthly follow-up and review of the accounting records help ensure an effective control environment.

The company constantly seeks to optimise its internal controls and risk management policies.

Market and business risks etc.

Via established policies and procedures, risks are identified, and the purpose of effective risk management is to counter, limit or hedge the risks which may be influenced and which are of particular significance to the company.

Customer and supplier risks

For both the parent and its subsidiaries, the group undertakes the rigorous assessment of customer creditworthiness and normally has relatively few and limited bad debts. The risk attaching to particularly risky transactions is reduced through the use of secure terms of payment, credit insurance cover, mortgages secured on harvests etc. At the end of the year, the group's trade receivables amounted to DKK 1.8 billion, and approx. 44% of these receivables are secured through credit insurance cover, letters of credit or other types of security. The group's policy on provisions for bad debts is based on specific assessments of credit risks, including credit terms and the economic conditions in the individual markets.

A strict credit policy is maintained in Brazil due to the negative impact of the financial crisis, and provisions therefore remain high at the end of the year, constituting 76% of receivables due.

Auriga attaches great importance to fostering good and long-term relations with suppliers, and in so far as is possible, the group has secured the supply of critical raw materials via contracts and agreements, often with a number of suppliers in different regions. Large price fluctuations may impact results through adjustments of inventories.

Legal and insurance risks

The group is working continuously to ensure compliance with current rules and regulations and other regulatory requirements, for example in connection with contractual issues, company acquisitions and other activities.

The group's insurance programme is an integral part of risk management and comprises, among other things, all risks, business interruption and commercial and product liability insurance. The insurance programmes are tailored to the group's risk profile and are reviewed regularly in collaboration with external advisors. The group may be held liable under product liability legislation for the use of its products. No major new product liability lawsuits were filed against the group in 2009.

IT and staff

Auriga uses IT extensively in its daily activities, leading to a risk of losses caused by breakdowns and security breaches. The group therefore seeks to maintain a high level of IT security. During 2009, preparations were made for the global implementation of the SAP ERP system. SAP was implemented in Denmark and

Spain in early January 2010, and in the course of 2010 SAP will be implemented in a number of European subsidiaries.

Auriga wants to be an attractive workplace that is able to attract candidates with the right qualifications by promoting exciting and challenging jobs and working environments. On a global scale, the group seeks to attract, develop and retain talented key employees who can ensure innovation and goal fulfilment.

Other risks

The group's earnings are affected by levels of economic activity, including developments in the prices of raw materials and energy as well as the prices of agricultural crops and climatic conditions. Other risk factors include the company's ability to develop and introduce new products, regulatory requirements regarding product registrations, environmental issues, patents and industry consolidation and the competitive situation in important markets.

Financial risks

Given Auriga's international activities, the company's earnings and balance sheet are exposed to a number of financial risks. The group has adopted a finance policy which lays down guidelines for the management of financial risks as well as containing a description of approved financial instruments and risk limits. The group's currency, interest rate, liquidity and credit risks are described in the notes to the consolidated financial statements.

» Cheminova wants to offer its employees good opportunities for personal and professional development through qualifying training, courses, secondments and promotions.

In 2009, Cheminova focused its training efforts on e.g. general management and project management training to support the company's global business strategy.

During the production stop at the glyphosate plant and some other production plants in autumn 2009, a number of employees did relevant supplementary training for six weeks. This solution has been advantageous to both Cheminova and the employees and has avoided the need for other work-sharing schemes. The company is also continuing to take on many adult trainees, and in 2009 several employees decided to embark on the process operator course.

For new graduates, we continue to offer two-year trainee programmes that combine comprehensive, theoretical graduate programmes and practical training in Cheminova. In recent years, we have been able to employ trainees in permanent key positions after the end of their traineeships.

Ole Zinck
Vice President, Human Resources

