

Global Coronavirus Pandemic and its impact on Czarnikow: risks and opportunities

On the 23rd of April, Czarnikow presented its board with a presentation depicting the emerging risks that have arisen from the Coronavirus Pandemic, and which will have an impact on our operations worldwide, both currently and in the foreseeable future. An extract of this document is presented below.

In summary, this document covered:

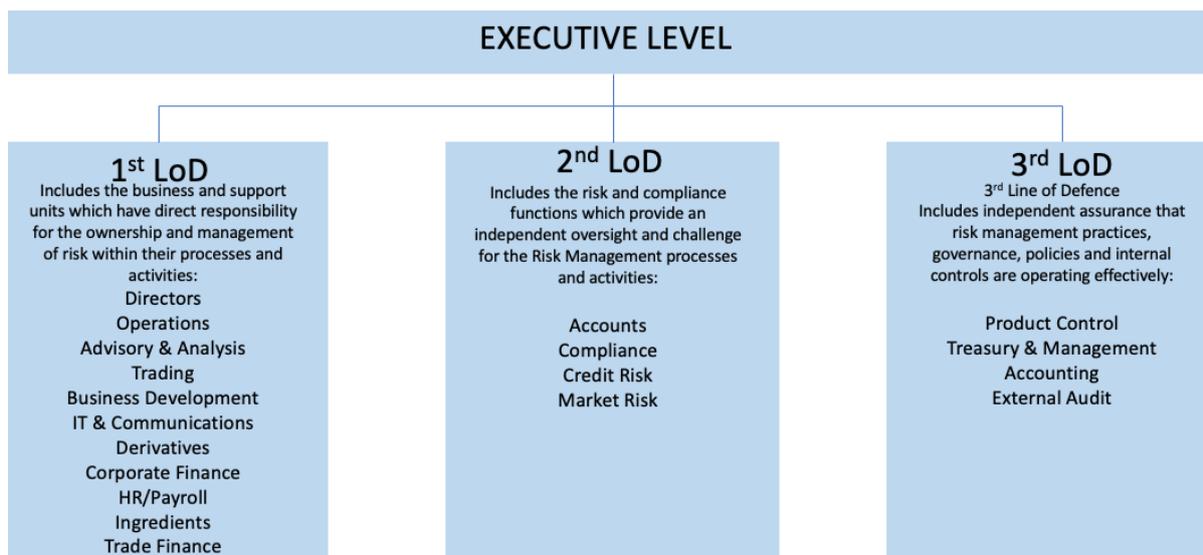
- The changing working environment and its impact on personnel utilisation, daily contact with colleagues/clients/partners/other stakeholders, and the challenges of transferring operations to digital formats;
- Challenges in commodity logistics and physical hurdles within the shipping and supply chain, paper documentation turnover and the move to electronic platforms: electronic signing, storage capacity shortages, shipping inefficiencies, customs clearance delays, etc;
- Changes to the demand/supply dynamic;
- Challenges faced by the financial community and how lending rates, liquidity, collateralised transactions, and the switch to electronic loans' authorisation, are being impacted by the pandemic.

We are not prioritising any risk above others, and all are addressed by our diverse range of teams. Despite identifying risks that have emerged from this current global pandemic, there are also opportunities to change things for the better in times to come. For example, we have learnt that our supply chains are resilient and able to withstand extreme pressure. Despite challenges outlined above and henceforth, our business has been able to continue its operations. We have even seen new business potential arise, such as new carry opportunities in certain jurisdictions. It is by being vigilant in assessing risks, and prepared, that we are able to also take advantage of this period, seeing it as a chance for change and innovation. Although we are in the middle of a storm, we are weathering it with confidence.

Czarnikow is a supply chain service rather than a Financial Services firm (FS), and thus is not required to follow the detailed regulation regarding risk management principles of effective risk governance and oversight. However, in view of the Risk Coalition work in response to requests from the UK regulator to create same risk management principles for large UK firms as those that exist for FS, and in preparation for its outcome, we have adopted the existing FS's Three Lines of Defence (hereafter "LoD") model on governance of risk to the Czarnikow environment, therefore enhancing clarity on responsibility and accountability of "risk owners" across the organisation.

The following information was therefore prepared to ensure that all levels of senior management have visibility on the risks we face and are satisfied with the framework in place to manage and mitigate them. The Three Lines of Defence risk governance structure ensures there is sufficient oversight and processes to manage risks through the network of our departments, all with clearly defined responsibilities for managing (1st LoD), challenging (2nd LoD) and assuring (3rd LoD) full adherence to CGL processes and procedures throughout the organisation globally, all fully equipped to Work From Home ("WFH").

Three Lines of Defence ("LoD") at CGL



Taking the three LoD principles and having analysed input from all the departments across the organisation, we have identified and considered the following risks relating to the Covid19 Pandemic (hereafter “C19”) which could potentially impact CGL business:

1. Risk Appetite (Group)
2. Liquidity and funding risk (Group)
3. Business Risk (by jurisdiction)
4. Structural Risk (Group)
 - 4.1 Forex rate risk
 - 4.2 Raw Sugar - 20-Year Price History in BRL Terms
 - 4.3 Interest Rate Risk
 - 4.4 Export Restrictions
 - 4.5 Model Risk
 - 4.6 Capital Investment Risk, Strategic Risk and Group Risk
5. Counterparty Risk
 - 5.1 Payment Risk (Group)
 - 5.2 Contract Frustration Risk (by jurisdiction)
6. Operational Risk (Group)
 - 6.1 IT & Communications
 - 6.2 Global demand for remote access to the network
 - 6.2.1 Loss of site
 - 6.2.2 Diverse nature and limitations of home user equipment
 - 6.2.3 Bandwidth restrictions and user efficiency
 - 6.2.4 Meetings, communications and collaborative working
 - 6.2.5 Staff on-boarding
 - 6.2.6 Hacking
 - 6.2.7 Malware
 - 6.1.9 Fraud and Phishing
 - 6.3 HR
 - 6.3.1 Selection and Recruitment
 - 6.3.2 Induction
 - 6.3.3 Remote Working H & S
 - 6.3.4 Remote Working Sick Dependants
 - 6.3.5 Remote Working Parents
 - 6.3.6 Remote Working Mental Health
 - 6.3.7 Remote Working Mentoring

- 6.3.8 Remote Working Supervision for new/junior team
- 6.3.9 Increased Working Hours
- 6.3.10 Silent Not Busy
- 6.3.11 Emergency Contact details
- 6.3.12 Absence Recording
- 6.3.13 Vulnerable Employees
- 6.3.14 Job Security
- 6.3.15 Key Person Risk
- 6.3.16 Czarnikow Culture
- 6.3.17 Maternity and Paternity cases
- 6.3.18 Leavers
- 6.3.19 Expats
- 6.3.20 GDPR
- 6.3.21 Use of Company Equipment
- 6.3.22 Confidentiality
- 6.3.23 COVID-19 Holiday legislation
- 6.3.24 Medical Insurance
- 6.3.25 Loss of Personnel
- 6.3.26 Death in Service
- 6.3.27 Return to work post COVID-19 - physical
- 6.3.28 Return to work post COVID-19 - mental
- 6.3.29 Continued requests to work from home expected
- 6.4 Derivatives Trading and dealing with regulated counterparties while WFH
- 7 Transport and storage (Group)
 - 7.1 Physical movement of original documents
 - 7.2 Blank Sailings
 - 7.3 Inefficiencies in logistics and storage shortages
- 8 Compliance (Group)
 - 8.1 Regulatory risk arising from access to check platforms when WFH
 - 8.2 MLRO adherence
 - 8.3 Electronic Signatures

From a macro standpoint, the C19 pandemic and lockdowns imposed by governments on both sides of the Atlantic have pushed the global economy into the sharpest downturn since the Great Depression. IMF signalled that; “Such a slump would be more than twice as large as the 2008-09 financial crisis”, with any notable rebound likely to be hampered by intangible barriers to trade such as sanitation, physical isolation, full lockdown, etc.

Having said that, should the lockdowns in respective countries follow the Chinese precedent and be limited to max 14-18 weeks, the economic damage is expected to be “moderate” as opposed to “severe”, with a “W” rather than “V” shape recovery expected to follow.

On a micro level, throughout the rest of 2020 and into 1Q2021, we do not expect outright payment defaults arising from C19 pandemic. However, there are likely to be requests for shipment deferrals, driven by the reduction in overall consumption from the tourist business-driven countries and a squeeze in USD-liquidity from oil exports-reliant economies.

Notwithstanding the above, a combination of (a) segmentation of our client base, (b) limited exposure to the food service industry as we predominantly service multi-national companies worldwide, and (c)

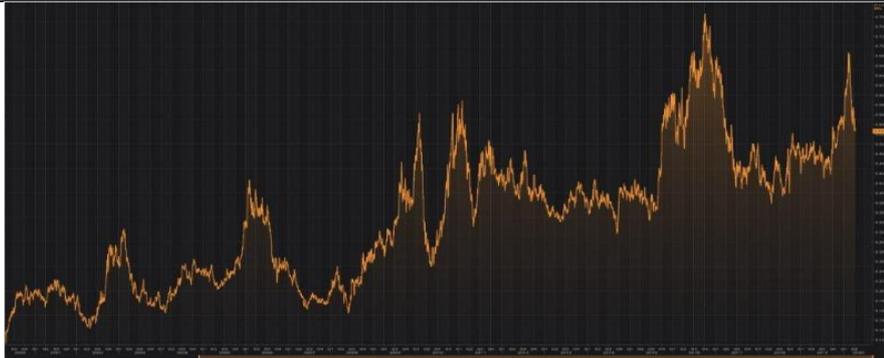
a wide product offering will soften the impact from any single jurisdiction on the Group’s overall business.

In the meantime, we have adopted the “prepare/not predict” strategy basis for our risk assessment of the changing business landscape and work practices arising from it, as described below.

C19 Pandemic Risk Assessment

N	Risk	Jurisdiction (unless impact is deemed to be group- wide)	Impact and mitigation
1.	Risk Appetite (Group)	No impact	
2.	Liquidity and funding risk (Group)	<p>Currently, liquidity risk in terms of USD-borrowings is materialising in 3 ways:</p> <ul style="list-style-type: none"> i. Reduced availability of USD from banks, leading to the spike in the COF (cost of finances) despite the economic stimulus of reduced base rates. This is principally due to material credit migration internally within banks, i.e. higher than normal unsecured borrowings vs secured, caused by previously arranged committed facilities which are not normally drawn having been drawn in full in a short space of time, simultaneously. ii. Reduced risk appetite from banks and insurance underwriters for deviations from existing pre-agreed terms, due to: <ul style="list-style-type: none"> (a) credit and executive management teams having been disbursed; (b) multiple sectors such as tourism, hospitality, logistics and oil industries impacted at the same time, thus curtailing risk appetite elsewhere; (c) “waiver tsunami” engulfing internal credit infrastructures as a direct result of the well-known correlation between low commodity prices, covenant test failures, increased risk of fraud, threatened bankruptcies and restructurings, with business strategy across the banking community for FY2020 being “preserve” rather than “grow”; and iii. government guidance on isolation and inability to travel preventing any type of physical Due Diligence in 100+ countries. <p>This risk is mitigated by access to a diversified portfolio of traditional commodity finance 1st, 2nd tier and regional banks, which permits COF arbitration and flexibility in risk uptake.</p>	
3.	Business Risk	Group	We assessed whether food supply chain business is exempt from the general quarantine and allowed to operate, albeit at a reduced rate, in all jurisdictions where Czarnikow has a subsidiary, as follows:

	Brazil (Sao Paolo)	Currently, food supply chain business remains exempt from the general quarantine. We have 80% of the team working remotely and 20% in the office on a skeleton basis.
	Israel (Rehovot)	Food supply chain business remains exempt; the office operates on a skeleton basis however people can come in if necessary.
	The US (Miami)	100% lock-down; all staff are equipped to WFH.
	Mexico (Mexico City)	100% lock-down; all staff are equipped to WFH.
	UAE (Dubai)	100% lock-down; all staff are equipped to WFH.
	Kenia (Nairobi)	100% lock-down; all staff are equipped to WFH.
	Singapore	We applied to operate as an 'essential service'. This application is based on just 5 staff in the office (normal is 19). The basis qualification under the Food category is as follows: "Food supply (including food and food ingredient production, food manufacturing, food processing, abattoirs/ slaughterhouses, importers and traders, and food logistics - cold stores/ warehouses), supermarkets, convenience stores, grocery retailers, wholesale markets, wet markets" https://covid.gobusiness.gov.sg/essentialservices/food/
	China (Guangzhou)	The team is in office as country is returning to normal.
	Thailand (Bangkok)	The office is open but the team are WFH as per the Government guidance.
4.	Structural Risk (Group)	
4.1	Forex rate risk	<p>The Brazilian Real (BRL) has weakened by 30% versus the USD since the start of 2020, reaching record lows near 5.30.</p>  <p>\$USDBRL US Dollar to Brazilian Real (EOD) INDEX 13-Apr-2020 Open 5.12 High 5.21 Low 5.11 Close 5.19 Chg +0.09 (+1.71%) © StockCharts.com</p> <p>While the extent of the move is severe, sugar exported is priced in USc/lb, but mills receive payment in BRL/mt. This means that mill earnings in BRL terms have actually been enhanced. Mill returns from exporting raw sugar are today close to the highest on record despite the No.11 raw sugar futures being near decade-lows at 10c/lb. For 2020, we expect the</p>

		Brazilian cane milling sector as a whole to be profitable on their sugar sales.
4.2	20-Year Raw Sugar Price History in BRL Terms	 <p>This level of volatility in the BRL is not unusual. During its recent recession the BRL weakened by 67% in 11 months between October 2014 and September 2015, and during the global financial crisis in 2008 the BRL weakened by more than 60% in just 5 months. The sugar market can also be volatile; the raw sugar futures have fallen from 15c to 10c in the last two months.</p> <p>In the chart below, USD/BRL is showing in green, No.11 in USc/lb in pink and No.11 in BRLc/lb in orange.</p>  <p>In Brazil, sugar exports are priced in USD, whereas cost of production is measured in BRL. Based on the chart above, it is apparent that the price received by the Brazilian producer is more affected by the exchange rate movement than by the more obvious change in the no 11. We have navigated this level of volatility in the past and will continue to proactively monitor counterparty and market risk.</p>
4.3	Interest Rate Risk	Following the C19 crisis, most advanced economies are likely to keep benchmark interest rates at or close to 0% for years to come. However, in many developing countries in which we operate, currency depreciation could lead to higher-than-normal inflation, and perhaps higher interest rates. For example, during Brazil's recession and currency depreciation in 2014-2016, the SELIC interest rate increased from 7% at the start of 2013 to a high of 14% in the middle of 2015.
4.4	Export Restrictions	We are already seeing some signs of export restrictions as a result of C19: <ul style="list-style-type: none"> - Russia has imposed a limit on the volume of grain it will export in Q2'20,

		<p>- Kazakhstan has banned export of several foodstuffs until mid-April to build domestic stocks.</p> <p>The UN recently stated, “We must ensure that our response to C19 does not unintentionally create unwarranted shortages of essential items and exacerbate hunger and malnutrition.” There is a risk that this trend continues as governments around the world seek to guarantee food supply in 2020, or if supply chains are disrupted owing to staff shortages due to illness. The latter point is especially applicable to the sugar market, which is dependent on the continued flow of raw sugar from upcountry Brazil to Santos port. While logistics disruption will present new challenges for us to navigate in 2020, any increased complexity in the world’s supply chains could also mean increased opportunities if we are nimble enough to manage difficulties effectively on behalf of our customers.</p>	
4.5	Model Risk	Group	Confirmed as effective, no impact.
4.6	Capital Investment Risk, Strategic Risk and Group Risk	Group	No impact.
5.	Counterparty Risk		
5.1	Payment Risk	Group	We assessed the risk of payment delays with C19 used as an excuse by jurisdiction. A legal firm was engaged to draft a new clause which deals with C19 and other infectious diseases to complement our standard Force Majeure clause, thus giving Czarnikow flexibility in extending shipment terms. The clause will be incorporated on a best effort basis and will be compulsory to include in the 1 st draft of any new contract.

5.2	Contract Frustration Risk	Brazil	Not materialised and not expected. Most of Czarnikow supply contracts are in-the-money, both on the pricing and logistics sides. Suppliers are incentivised to perform their supply obligations. Further, we have been asking suppliers to detail their plans to constrain the spread of the virus amongst their operational team, and advised that most mills have restricted shifts, employed extra transportation services for employees, and enhanced and improved hygienic and sanitation routines.
		Europe and the Americas	No contract frustration was experienced so far, however in the next 6 months we expect a drop in orders from tourist-industry driven regions such as the Caribbean due to lower than normal sales of confectionary and soft drinks. However, this is due to lower new volumes contracted rather than less deliveries which have been performed. In Italy, we are seeing re-packers for restaurants moving to retail (1kg bags) and although we anticipate some slowdown in uptake from certain counterparties, diverse customer base in the region will provide compensation. So

			far, no counterparty has cancelled orders, albeit some have asked to defer deliveries forward.
		Middle East and Africa	We have not seen contract frustration yet however there is a migration of demand in certain product categories, e.g. in PET resin, from soft drinks bottlers to water bottles, with a drop in former category compensated for with a corresponding increase in the latter. Further, there has been a marked surge in demand for ingredients from confectionary producers, with long-lasting foods finding their way to consumers faster, hence the producers and food manufacturers operating at full capacity.
		Asia	Nothing directly related to the virus and demand has been strong.
6.	Operational Risk (Group)		
6.1	IT & Communications		
6.1.1	Global demand for remote access to the network.	The risk that historic Business Continuity and Disaster Recovery Plans (hereafter "DR") assumed loss of communications, office and staff was not sufficient for the demand levels created by global pandemic. To mitigate, Czarnikow initiated a project in Q4 2019 to move from a centralised remote access solution to a local deployment methodology to connect to users' PCs in each office. As the outbreak of C19 became apparent the project was accelerated during Q1 2020, initially for Asia Pacific and then extended to and tested by the Group's offices in EMEA and the Americas before any restrictions on the movement of people came into place. On the initiation of home working in the UK the combined demand of all staff connecting to the London office at the same time caused stability issues, but this was addressed the same day.	
6.1.2	Loss of site	The risk of losing power, the communication services or firewalls at a particular site which could restrict the ability of users to connect to their office PCs for remote access. The remote access methodology outlined above means that each office is susceptible to local loss of services, i.e. if the power, communications network or firewalls fail in any given office, meaning that users will not be able to connect to their PC. Similarly there is a risk of a single PC failing. The retention of the previous Secure Remote Access and Windows Remote Desktop Services solution mitigates this risk.	
6.1.3	Diverse nature and limitations of home user equipment	The risk that staff home equipment is not available for the sole use of a member of staff, is not suitable in regards to its specification and/or continued long term use, thus impacting efficiently for prolonged periods of homeworking. Whilst the chosen solution is considered to be a device supporting Windows PCs, Apple Mac and Chromebook users, there are significant functional limitations for iPad/tablet users. A handful of users were provided with existing office laptops prior to home working, with the further provision of a relatively small number of laptops/pcs to address issues identified thereafter. A staff hardware ordering portal with next business day delivery has been put into place allowing UK staff to select appropriate complimentary equipment to work more efficiently, e.g.	

		screens, wireless keyboards/mice and headsets. The requirements of overseas staff have been addressed locally.
6.1.4	Bandwidth restrictions and user efficiency	<p>The risk that home users are not able to work efficiently due to their local internet service provision being oversubscribed, and similarly the ability of the groups centralised services and cloud providers, to meet increased demand levels.</p> <p>We have initiated a Proof of Concept (PoC) with a partner to implement an alternative means of remote access which is less bandwidth intensive. The creation of a VPN tunnel between home PCs and the Czarnikow network raises additional security risks which are mitigated by implementing the next generation anti-virus to secure the home user's machine in the same way as office PCs. This methodology is quicker and allows a dual screen desktop view making use generally more efficient. Internet service provisions to the core group infrastructure has been over spec'd to allow for future growth and monitoring shows no bottlenecks. Czarnikow utilises a relatively small number of cloud services which are outside our direct control, but which have always been available . Microsoft increased capacity for Teams (see below) by 800% just prior to UK movement restrictions coming into place.</p>
6.1.5	Meetings, comm's and collaborative working	<p>The risk that a dispersed workforce is unable to interact and work together in a collaborative manner in the same way they can in the office.</p> <p>Czarnikow utilises a number of technologies which provide communication and collaborative working capabilities all of which are available remotely and optionally on mobility devices: Office365, Mimecast , BlueJeans and Teams.</p>
6.1.6	Staff on--boarding	<p>The risk that new staff cannot be equipped with the tools they need to do their job and receive appropriate training.</p> <p>New staff joining the organisation would normally receive a company iPhone and office based pc. Mobile phones can be provisioned locally through the carrier and configured remotely. Spare PCs in the London office have been provisioned in readiness for new staff or in the event of hardware failure and these can be configured and accessed remotely. Inductions are conducted via Teams, which is also used for on-the-job collaboration and training which is supplemented by the Czarnikow Academy available online.</p>
6.1.7	Hacking	<p>The risk that businesses make changes to their security perimeter in order to facilitate remote working activities and leave themselves susceptible to hacking.</p> <p>Czarnikow's external attack surface has remained unchanged since the outbreak of C19, i.e. the existing partners have not had any policies loosened in any way to facilitate remote working, and provide the ability to identify, quarantine and manage an event should it occur.</p>
6.1.8	Malware	<p>The risk that we are more susceptible to fraud during this time of remote working due to changes in working practices/the environment and that malicious parties see an increased opportunity to target individuals or organisations.</p>

		Czarnikow uses a specialist partner to filter all inbound and outbound emails, and this acts as the first defense filtering out malicious attachments. The enhanced suite and Internal Email Protect will further interrogate/validate web-links and encrypted file types sandboxing potentially malicious content. These enhanced features are being implemented by external partners. The next generation of anti-virus etc provides the ability to identify, quarantine and manage an event should it occur. Staff awareness is essential to combat staff opening malicious content and in addition to the email/intranet post by Czarnikow's CEO to highlight the increased risk at this time, we are implementing a training solution which includes simulated phishing and malware attacks to gauge the success of training and the risk of individual members of staff.
6.1.9	Fraud and Phishing	As above. Further, staff awareness is essential to combat fraud and in addition to the email/intranet post by Czarnikow's CEO to highlight the increased risk at this time, we are implementing Mimecast Awareness Training solution which includes simulated phishing and malware attacks to gauge the success of training and the risk of individual members of staff.
6.2	HR	
6.2.1	Selection and Recruitment	Recruitment is on-going via BlueJeans Interviews and starter info emails.
6.2.2	Induction	BlueJeans Welcome, IT access, Refinery updates, 1st day welcome are organised via email and CEO welcome by phone and Microsoft Teams video introduction.
6.2.3	Remote Working H&S	HR Blog – “working safely at home” via intranet blog. Marketing and Communications team are also email summarising updates on Refinery.
6.2.4	Remote Working/Sick Dependents	Contractual terms apply. Employee Handbook and Manager discretion.
6.2.5	Remote Working Parents	HR Blog support and tips for parents and children. Flexibility encouraged by Management. Employee Handbook covers usual parental policies.
6.2.6	Remote Working Mental Health	HR Blog & promotion of EAP, focus on regular formal team and informal communication - created “virtual kitchen” drop in twice a day on Zoom.
6.2.7	Remote Working Mentoring	2020 new joiners and all junior team members have been assigned with a mentor and training guidance is provided to both the mentee and mentor.
6.2.8	Remote Working Supervision for new/junior team	2020 new joiners and all junior team members are assigned a mentor. HR MS Teams meeting with all mentors requesting contact on a regular basis to be in addition to more task-based team communication.

6.2.9	Increased Working Hours	Productivity is higher, with feedback pointing at the fact that people are working longer days and finding it hard to switch off; HR continue to promote the importance of getting the balance right during isolation. HR blog encourages down time.
6.2.10	Silent Not Busy	Managers' communication is recommended to top and tail the day, with tasks allocated in the morning and progress updates at the end of the day.
6.2.11	Emergency Contact details	All Employees advised to update the internal database with contact details as priority via email.
6.2.12	Absence Recording	Managers instructed to notify HR daily of any sick cases.
6.2.13	Vulnerable Employees	HR making contact with employees known to be living alone to check on their wellbeing.
6.2.14	Job Security	General reassurance through good communication. Reception Team temporarily brought into HR for task management and continuation of employment - morale considered in addition to cost.
6.2.15	Key Person Risk	Agile teams trained and capable to adapt to new challenges as required. Only impact would be time to complete tasks.
6.2.16	Czarnikow Culture	Virtual meetings and telephone calls before emails wherever possible. Virtual kitchen drop-in, regular HR blogs.
6.2.17	Maternity and Paternity cases	Parental policies apply, Employee Handbook.
6.2.18	Leavers	Work-related Stress Policy and positive support in change of lifestyle plans.
6.2.19	Expats	1 Expat based in Nairobi had returned to the UK, others comfortable to stay in location. To review with individuals once flights can be taken.
6.2.20	GDPR	Contractual terms apply.
6.2.21	Use of Company Equipment	Contractual terms apply.
6.2.22	Confidentiality	Contractual terms apply.
6.2.23	C19 Holiday legislation	New legislation means 20 days (statutory holiday entitlement) can be carried over for 2 years regardless of contract terms, with agreement from CEO.
6.2.24	Medical Insurance	Increased premiums are budgeted for.
6.2.25	Loss of Personnel	Business knowledge and increased workload for remaining workforce are addressed and planned for.
6.2.26	Death in Service	Rules of scheme if death is as a result of the virus are being investigated.
6.2.27	Return to work post C19 - physical	Physical health of employees on return to work post-virus and limited exercise in lockdown period are being addressed.
6.2.28	Return to work post C19 - mental	EAP, Managers to be briefed and upskilled in supporting higher levels of anxiety, fear of return, fear of commute.

6.2.29	Continued requests to work from home expected	Fair and consistent approach to requests will be taken after the lockdown. In preparation, executive management are working on a strategy for a practical, equal and prudent methodology which could practically apply to all departments.
6.3	Adherence to processes and procedures of trading and placing orders while WFH	<p>All orders are recorded on email to ensure audit trail and any orders given verbally are then confirmed by an email acknowledgement.</p> <p>The exchange temporarily lifted some of the requirements regarding timestamped tickets so we are remaining compliant with their requirement.</p> <p>Placing orders is not impacted as trading screen access remains the same as at the office and orders are placed as soon as they are received in the usual way.</p> <p>If anyone is disconnected for any reason, the team are advised immediately so that others can cover. Same applies if a member of the team leave the computer for any reason during the day.</p> <p>Margin calls are dealt with in the usual way. All calls and confirmations are made by email.</p> <p>Exchange communications are ad hoc but Exchange can be contacted as required.</p> <p>We are in regular dialogue with the clearing brokers through a combination of Bloomberg chat/email/phone calls, and any issues regarding our trades or positions have been handled with the usual efficiency as if we were in the office.</p>
7.	Transport and storage	
7.1	Physical movement of original documents	<p>Most of transactional finance and supply chain logistics is still based on the physical circulation of original documents and this was deemed a key risk for the company due to courier services being in lockdown in 100+ countries. This risk has been addressed as follows:</p> <ol style="list-style-type: none"> I. Representation in various jurisdictions provided CGL with natural hedge in terms of documents traffic. By the time London/Dubai/Nairobi were affected, China and Singapore offices were operating almost as normal, therefore documents were diverted to these offices or to our agents in Italy etc, as appropriate. II. Our main challenge so far has been issuance of Bills of Lading (“BLs”) as these are required for funding purposes and for the various contract payment terms such as CAD, CAFD etc. One option would be to telex release, or to send originals to a nominated private residence address, in which case contracts would be amended to reflect this. Further, we have managed to either issue BLs in Singapore, Dubai or at discharge port. The shipping lines in Singapore are now on lockdown and requesting

		<p>telex releases, and this also applies to shipments out of Central America. We therefore replaced BLs with Sea Waybills consigned to Czarnikow Miami.</p> <p>III. International courier companies are taking longer or different routes, so it's important where we can not to courier BLs as these could be stuck and not available for vessel arrival. We are looking at all avenues to keep the risk as low as possible and assessing all pros and cons of physical movement of documents.</p> <p>IV. The other issue we had is on shipments out of India, when India's government lockdown meant we could not get documents issued whilst cargo was on the water, with some countries requiring the Health Certificate, which if not provided with 30 days of vessel arrival, could lead to fines and formal record. Risk of such issues arising is managed on a case by case basis.</p> <p>V. Customs clearance slowed down as some governments and reduced number of brokers allowed at ports, however this is expected to return to normal in the short term.</p> <p>VI. Certificates of Origin are now issued electronically in London by the London Chamber of Commerce.</p>
7.2	Blank Sailings	<p>Blank sailings have been the tool used by shipping lines to balance supply/demand and in turn maintain rate stability. But in turn this has had consequences for shippers, such as:</p> <ul style="list-style-type: none"> - Inconsistent sailing schedules, resulting in longer transit times. - Bottlenecks at various ports of load as those vessels that are sailing are facing increased demand which can lead to rollovers. - Uneven distribution of empty containers in key export regions. This is caused/exasperated by supplier/buyer shutdowns which impacts the flow of containers returning to key export regions on backhaul lanes. <p>Some of the ways in which we mitigate these challenges can be described as follows:</p> <ul style="list-style-type: none"> - Rollovers: by providing shipping lines with forecasts well in advance (3 weeks +), we're working to secure space and equipment out of high demand export regions such as India, China, Egypt, Turkey etc. - Equipment: we are working with the lines to ensure adequate grade equipment is reserved for our bookings in container yards, and maintain a regular dialogue to understand how many containers they can make available to us for each vessel. - Blank sailings: with so many shipping lines sharing vessels, we try to have options across "alliances", especially on those routings that are currently more prone to blank sailings. - Space surcharges: we held long term or quarterly rates for most of the lines impacted, so thus far this has not been felt to any great extent. On lines where we don't hold long term rates, such as for some routings from Asia, there was quite a lot of talk that surcharges would be coming into place so traders either bought CFR from suppliers or built-in extra freight risk. - Changes to free time agreements: In many cases at the moment our buyers are actually low on stock when the cargo arrives,

		meaning they don't require the same level of free time they usually would.
7.3	Inefficiencies in logistics and storage shortages	We assessed restrictions at ports to store/ship sugar and ingredients by jurisdiction:
	Brazil	Not experienced port or logistics restrictions at the moment. Czarnikow are having constant conversations with all local logistics services providers and all of them have put contingency plans in place to guarantee the service quality and availability. Therefore, at this stage, we do not expect a material risk of an already full supply chain due to record wheat/soya crops etc to materialise due to "food and ingredients" being classed as essential goods. Although road transportation has been impacted in the first days of the quarantine, it has now resumed as normal. Truck drivers are receiving support both from upstream (suppliers) and downstream (terminals) to continue working safely. The support includes free meals, hygienic and salinization kits, apps showing best routes and service stations. Following the large crop (grains and sugar), freight rates went up and therefore drivers do want to capture for their businesses. Government continues supporting all truck drivers in continuing to work during this difficult time. On the rail network side, all is normal.
	Americas and Europe	Ports are operating as "food stuffs" and ethanol are deemed to be essential commodities, albeit there have been delays getting into California. Shipping offices in Central America are closed however they are now producing electronic documents. Operation and transport have been going well, including in Northern Italy, provided that the food industry is classed as "essential" therefore factories have been operating at full capacity. No storage issues have been experienced thus far as all deliveries have been going straight to end-buyers. From keeping in contact with the service providers and warehouses, the messages are that warehouses are reporting business as normal.
	East Africa	Certificates of Conformity which are normally issued by independent inspectors are now delayed due to inability of the inspection companies to physically visit storage locations. We are working on replacing these with digital solutions and video recordings.
	Asia	We cover 16 countries in the region and most goods are still moving. The wording of 'essential services' as per the above indicates clearly that food supply will be prioritised by port authorities if it came to that, but so far there is no evidence that ports have needed to choose which products to focus on. The main supply chain disruption is a function of substantially reduced air travel – documents are taking longer to move about simply because there are fewer flights for couriers to use. This has not so far been a major issue. Both land transport and sea transport have been normal recently. China had been problematic, but now all back to normal.

		Thailand may have some issues as they start to block movement between provinces, but we expect sugar will be exempt (some provinces are already on lock-down, but sugar is moving out of them).
8.	Compliance (Group)	
8.1	Regulatory risk arising from access to check platforms when WFH	<p>No impact:</p> <ul style="list-style-type: none"> - Systems we use for checks and reporting are cloud based/ hosted on external servers and accessed via a login. Most tasks can be done with just a browser and stable Internet connection. - For KYC checks using various screening methods to capture the process. - FCA filing systems are also available so no issues with meeting regulator's deadlines and all filings due in April for FY2019 are completed in good time. - Transaction reporting –no issues. Derivatives team are able to upload daily statements of transactions and these are passed on to the relevant regulator on time (T+1). <p>Other compliance tasks only require stable access to CGL internal network, which we have.</p>
8.2	MLRO adherence	No impact. Standard procedures apply.
8.3	Electronic Signatures	We are working with banks to move to electronic solution.