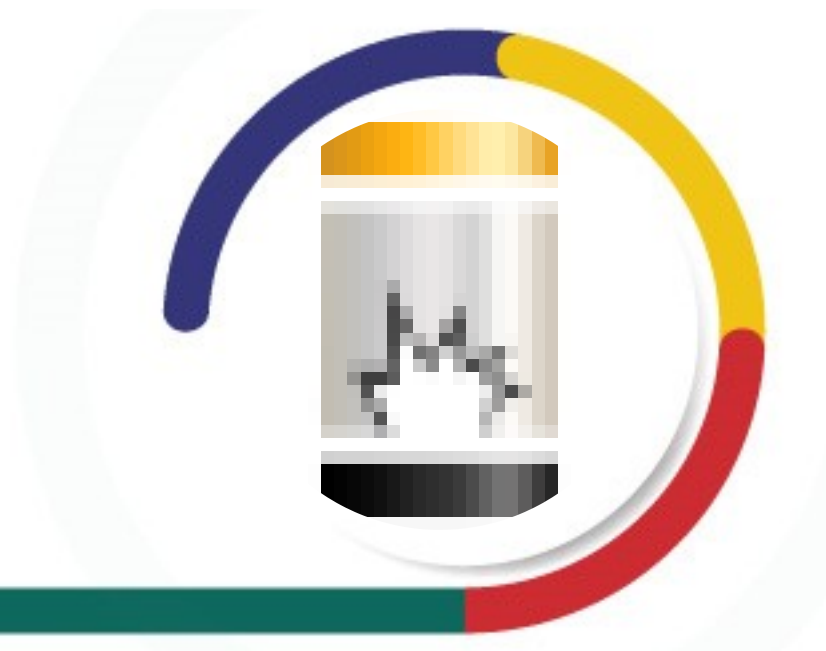


LMI Group Pty Ltd

DATE ISSUED 24/09/2020



Test

RISK ANALYSIS REPORT



Disclaimer

The materials contained within this report constitute general information only and should only be used as a guide. It is highly recommended that you speak to an insurance professional when setting your insurance program as each policy should be tailored to your specific needs.

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1. INTRODUCTION

Active risk management, is proactive, directing management attention to uncertainties and risks before the events have happened, when there are still opportunities to do something to avoid, mitigate, or manage them or to stop the project if they cannot be managed. Active risk management is an approach that allows managers to manage rather than just assign blame for failure.

This report discusses the Hazards assessment and risk analysis process and results for the "LMI Group Pty Ltd".

The report is designed with several objectives in mind.

1. To provide a summary of the risks identified by the organization during the important Risk and Threat Assessment Phase of the Business Continuity Management Plan using LMI ContinuityCoach.com. this includes the date of the report so that the board, and or the Business Continuity Governance Committee can review and agree the findings and measure changes in the risks facing the organization over time.
2. Provide a Hazard Index and Significant Exposures of insurable risks on the Occupation Code selected in the Organization Section of LMI ContinuityCoach. This is not reflective of your particular organization but is a general benchmark against which you can measure.
3. A document to shared and or discussed with your insurance adviser(s) to address any gaps in coverage that the organization may not realise they have.
4. An explanation on the potential financial shortfall that may arise due to under insurance on property and business interruption insurance should a claim under a policy be made.
5. Provide a starting point for the next Risk and Threat Assessment Review, the date of which is also recorded

The risks facing any organization are constantly changing and those recorded in this report are as identified and evaluated by "LMI Group Pty Ltd" as at date of last assessment.

2. SCOPE

The Risk and Threat Assessment process that has been conducted is intended to estimate potential human, health, financial, economic reputational, property and environmental risks posed by current and potential future conditions facing the organization.

The Risk and Threat Assessment Report outlines the estimated likelihood of an event occurring and the impact such an event would have should it actually occur.

Coaching on most of the components of the risk and threat assessment have been provided in the Risk and Threat Assessment section of LMI ContinuityCoach.com so that any discrepancies or discussion may be addressed before the results are recorded and this report is prepared.

By establishing the framework for the management of risks, the basic parameters within which risks are being managed are defined. Consequently, the scope for the rest of the Risk Management process is also set.

In order to carry out this Risk and Threat Assessment it is important for those involved to:

- understand the background of the organization and its risks (e.g. its core processes, valuable assets, competitive areas etc.);
- have the skills and experience to reasonably evaluate the Risk Management activities being undertaken so far;
- develop a structure for the Risk Management initiatives and controls (countermeasures, security controls etc.) to follow.

This approach is useful for:

- clarifying and gaining understanding of the organizational objectives;
- identifying the environment in which these objectives are set;
- specifying the main scope and objectives for Risk Management, applicable restrictions or specific conditions and the outcomes required;
- developing a set of criteria against which the risks will be measured;
- defining a set of key elements for structuring the risk identification and assessment process.
- Assisting in ensuring that the organization's insurance program provides adequate coverage and financial protection in line with the risks that have been identified and the

risk appetite of the organization.

3. HAZARD ASSESSMENT

Identifying hazards in the workplace involves finding things and situations that could potentially cause harm to the organization. The following chart is a graphical representation of the likelihood and severity of a loss occurring within any of the classes of insurance listed in the chart.

Industry: Bulb Growing - Under Cover



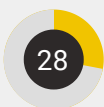
Figure 1: Hazard Index

HAZARD	RATING	EXPOSURE
Corporate Travel	28	Low
Cyber Risks	30	Low
Employer Liability / Worker's Compensation	49	Medium
Management Liability	40	Medium

HAZARD	RATING	EXPOSURE
Professional Indemnity	10	Low
Product Liability	61	High
Public Liability	61	High
Motor	33	Medium
Equipment Breakdown	38	Medium
Marine (including Inland Transit)	55	Medium
Crime	42	Medium
Business Interruption	53	Medium
Property Damage	61	High

Note: These ratings have been developed using historical claims and loss data for a general business operating in this field. It is recommended that additional factors specific to your business be taken into account when assessing this information such as location and crime rates.

3.1 HAZARD 1: CORPORATE TRAVEL

CORPORATE TRAVEL	
	Exposure
	Low
Risk Summary	

CORPORATE TRAVEL

Exposure will vary considerably depending on the various factors including - number of persons travelling in any given year, the frequency of travel, staff designations, the numbers travelling together (accumulation), destinations (local/overseas), reasons for travel / nature of work undertaken, issues/risks/hazards, that can affect an employee's health, safety and security whilst travelling, transport mode, staff's fitness to travel /work abroad, previous travel experience, specific health risks at the destination, availability of reliable emergency services etc. Therefore, given hazard rating to be further assessed, considering the above factors in mind. Other main risks for this industry category may include:

- Some travel staff may perform hazardous activities (sometimes remote locations/unsafe worksite/s) which may require a high level of physicality and use of heavy equipment.
- Developing countries/remote locations - non-availability of appropriate medical services, transport challenges with access during a medical emergency / evacuation difficulty / reduced access to adequate infrastructure for medical attention.
- Health and safety issues / concerns - contagious disease, insect-borne diseases, human influenza, swine flu or bird flu, virus/ Infectious disease outbreak, there are many unknown health threats as well.
- Environmental issues/concerns - extreme climate conditions, natural disasters, threat from potentially venomous animals and insects, allergies, technology failing.
- Security and related issues/concerns in some locations/countries – terrorist attacks, civil unrest/war, kidnap and ransom, harassment etc.
- Fly-in-fly-out jobs, long distance road travel - road accidents are a common cause of death and injury of both local and overseas travellers
- Also refer to Employer Liability/Worker's compensation.

3.2 HAZARD 2: CYBER RISKS

CYBER RISKS

	Exposure
	Low
Risk Summary	

CYBER RISKS

- Security/Privacy breach - presence of large volumes of sensitive personal and corporate data;
- External hacking attacks, internal negligence, deliberate acts, system glitches etc. - farm level data is mainly exposed to theft, ransomware, data destructions and economic espionage;
- Higher exposures for businesses using smart farming/network aided machinery/precision agriculture technologies;
- Possible presence of older devices/computer systems with outdated operating systems and unsupported software;
- Farms, which use genetically-modified organisms or pesticides can be specific target;
- Integration of networked-aided farming/agricultural machinery with production processes;
- Cyber extortion/ransom demand – hackers may encrypt farm level data and hold it for ransom;
- Cyber-attack/vulnerability - poorly secured agriculture machinery and equipment (if applicable);
- Extra expenses - forensic investigation costs, crisis management expenses, notification and monitoring expenses, remediation expenses and other extra expenses associated with a loss;
- Lack of security measures including a combination of technology (e.g. IT security) and physical security at the premises;

3.3 HAZARD 3: EMPLOYER LIABILITY / WORKER'S COMPENSATION

EMPLOYER LIABILITY / WORKER'S COMPENSATION

	Exposure
	Medium
Risk Summary	

EMPLOYER LIABILITY / WORKER'S COMPENSATION

- Trips and falls injuries;
- Lacerations or cuts sustained during cutting and pruning plants;
- Exposure to extremes of temperature when working in greenhouses, refrigerated storage sheds and open fields;
- Frequent dealing with machinery and equipment and related hazards - e.g. cut, burn, shock injuries
- Infections from splinters;
- Crushing injuries when lifting heavy/awkward items e.g. large pots/statues;
- Electrical shocks from poorly installed display equipment;
- Back injuries/strains and sprains due to various heavy lifting and handling tasks;
- Exposure to various chemicals/poisoning from pesticides and fertilizers
- Injuries sustained installation jobs or repair work;
- Delivery service and exposure to motor vehicle accidents;
- Burns, spills and slips and falls in kitchen areas.

3.4 HAZARD 4: MANAGEMENT LIABILITY

MANAGEMENT LIABILITY



Exposure

Medium

Risk Summary

- Low exposure from typical retail store hazards in respect of taxation and employment practices. Trade Credit cover would normally be required only by businesses involved in exports, but might be considered. Other lines listed not normally required.

3.5 HAZARD 5: PROFESSIONAL INDEMNITY

PROFESSIONAL INDEMNITY



Exposure

Low


Risk Summary

PROFESSIONAL INDEMNITY

- There may for example be a contract requirement that the insured has professional indemnity cover.

3.6 HAZARD 6: PRODUCT LIABILITY

PRODUCT LIABILITY

	Exposure
	High
Risk Summary	
<ul style="list-style-type: none"> • The Product Liability exposure for garden centres is considerable, arising from: • Toxicity of plants sold to customers (if applicable); • Sale of other goods (e.g. garden supplies, tools, outdoor furniture, various ornamental materials etc.) to customers where they have sourced the merchandise direct from an overseas supplier; • Sale of fertilizer and chemicals/repackaging of such materials/products; • Sale of “shop-floor” items or ex hire stock; • False or misleading recommendations made to customers; • Inadequate or improper installation and repairs (if applicable); • Completed operations exposure – if the business offer services such as landscaping etc., 	

3.7 HAZARD 7: PUBLIC LIABILITY

PUBLIC LIABILITY

	Exposure
	High
Risk Summary	

PUBLIC LIABILITY

- Moderate exposure – risks/hazards may include:
- Injury to customers and visitors through:
 - Slips, trips and falls in both buildings/greenhouses and yards. Possible presence of water/mud/leaves/mulch on the floor will increase the exposure;
 - Inadequate signage and fire protection;
 - Allergic reactions to chemicals used during plant propagation;
 - Collisions and impacts in the loading bay or yard e.g. with forklifts or bulldozers;
 - Car park trips, falls and accidents;
 - Unattended machinery/equipment;
 - Possible presence of pools/ponds etc.;
 - Cuts from poorly maintained furniture or display cabinets
- Third party property damage to adjacent properties from fire risk.
- Work away from premises is limited to deliveries but there may be risks associated with damage to property or third party injury due to loading/unloading of merchandise.

3.8 HAZARD 8: MOTOR

MOTOR



Exposure

Medium


Risk Summary

- Low to moderate exposure
- Some nurseries may deliver plants and materials to clients – vehicle accidents
- Modified vehicles (e.g. insulated vehicles) – higher value/sum insured
- Lack of service, repair, maintenance of vehicles (if applicable), especially for smaller operations;
- Possible use of employee vehicles to business work – vicarious liability;
- Use of vehicles by younger/inexperienced family members or casual labour; and
- Loading and unloading exposure.

3.9 HAZARD 9: EQUIPMENT BREAKDOWN

EQUIPMENT BREAKDOWN

EQUIPMENT BREAKDOWN

	Exposure
	Medium
Risk Summary	
<ul style="list-style-type: none"> • Low to moderate exposure depending on the size and nature of the operation; • In addition to building machinery businesses are also likely to have a variety of external equipment such as heating, climate control, hydroponic or irrigation systems, as well as various types of mobile machinery either used by the business or hired out; • Common causes of loss are lack of maintenance or age, deterioration of insulation and oil filled transformers and switchgear heating above flashpoint; • High usage may compromise equipment maintenance and inspection frequency; • Break down of heating, climate control, hydroponic or irrigation systems would result in a large loss of stock • Maintenance is likely to be performed by the business owner or a family member for less specialised items. 	

3.10 HAZARD 10: MARINE (INCLUDING INLAND TRANSIT)

MARINE (INCLUDING INLAND TRANSIT)

	Exposure
	Medium
Risk Summary	
<ul style="list-style-type: none"> • Moderate to high marine cargo exposure depending on the size and nature of the business. The main marine exposure for this occupation is loss or damage to: • Stock being transported to the nursery or between stores. In some cases, this may include imports; and • Hire goods or large shipments of plants or bulk goods being delivered to customers. In some cases this can include exports. 	

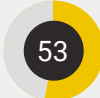
3.11 HAZARD 11: CRIME

CRIME

	Exposure
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CRIME	
42	Medium
Risk Summary	
<ul style="list-style-type: none"> • Moderate exposure • Cash sale and possible presence of cash at the premises; • Smaller items can be a target of shoplifters; • Expensive plants can be a specific target of thieves; • Burglary and theft hazard is increased by the likely location i.e. remote areas; • Part time/casual employees – fidelity exposure; • Lack of security at the premises (if applicable). 	

3.12 HAZARD 12: BUSINESS INTERRUPTION

BUSINESS INTERRUPTION	
	Exposure
	Medium
Risk Summary	
<ul style="list-style-type: none">• Moderate exposure;• Machinery and equipment are not generally specialised and can easily be replaced;• Replacement of some nursery stock can be difficult and time consuming – e.g. exotic or hard to replace plants/specialist slow-growing plants/trees;• Loss or damage to the premises during a peak business periods (e.g. closer to Christmas, Valentine's Day) will substantially affect the business income and recovery time;• Building and structures including greenhouses will generally be relatively straightforward to reinstate being relatively unspecialised;• Dependence on major customers/suppliers (if applicable);• Utility outage• Franchisees may be able to restock and get back into business more quickly than non-franchise operators.	

3.13 HAZARD 13: PROPERTY DAMAGE

PROPERTY DAMAGE



Exposure

High

Risk Summary

- Moderate to high exposure;
- Property in the open air;
- Nursery stocks are high susceptibility to weather damage, smoke and fire;
- Greenhouses - all polymer greenhouse coverings (e.g. acrylic, fiberglass, polyethylene, polycarbonate) are combustible;
- Greenhouses - susceptible to damage from wind, hail, vandalism/malicious damage;
- Fire load/presence of various hazard material - fertilisers, petrol/oils/propane/natural gas for machinery and equipment, chemicals/pesticides, wood benching work table/s, storage racks, plastic pots flats/plastic containers, cardboard materials, straw etc.;
- Ignition sources - tools and machinery, faulty wiring/electrical equipment, unauthorised smoking, welding/cutting work (where applicable);
- Spontaneous combustion – heating of mulch and fertilisers in bulk/long term bulk storage of mulches;
- In some locations/rural business districts water supply or speed of fire services response time may be an issue;
- Natural perils exposure - Wind/CST and Hail damage;
- Possible presence of expensive/exotic plants (where applicable) – high value at risk/difficult and time consuming to replace; and
- Clarity required over the extent of coverage offered for plant stock (especially when considering an ISR type policy).

4. RISK EXPOSURES

This is not a complete and exhaustive list which may be found in businesses falling into this occupation category. It is intended as a general guide only and is limited to insurable risk typically found in the specific occupation.

RISK EXPOSURES

Business Interruption - Availability of a suitable premises to relocate to after a loss temporary or permanent

Business Interruption - Facility reconstruction could be delayed by the need for council/local authority approvals

Business Interruption - Utilities outage

Business Interruption – dependency on major customers/suppliers

Business Interruption – some nursery stock can be difficult and time consuming to replace

Crime - cash retail/possible presence of cash at the premises

Crime - casual/temporary employees - fidelity exposure

Crime – expensive plants can be a specific target of thieves

Cyber Risks - identity theft, data breach

Cyber Risks - online retailing of nursery items

Cyber Risks - theft of devices

Machinery Breakdown - break down of heating, climate control, hydroponic or irrigation systems would result in a large loss of stock

Marine - stock damaged during transit due to rough handling and weather perils

Motor - use of vehicles by younger/inexperienced family members/casual labour

Motor – modified vehicles

Motor – own deliveries

Product liability - sale of Toxic plants, false or misleading recommendations

Product Liability – repackaging of products – fertilizer, chemicals (if applicable)

RISK EXPOSURES

Property Damage - fire load - fertilisers, petrol and oils for machinery and equipment, chemicals/pesticides etc.

Property Damage - greenhouses are susceptible to damage from wind, hail, vandalism/malicious damage

Property Damage - nursery stock – highly vulnerable to weather damage, smoke and fire

Property Damage – expensive and exotic plants – high value, longer replacement time

Property Damage – spontaneous combustion, possibly due to heating of mulch and fertilisers in bulk

Public Liability - Environmental liability / EPA Issues - due to the use of a wide variety of pesticides and fertilizers, all of which must be handled and stored with care

Public Liability - slips, trips and falls

Public Liability – allergic reaction to chemicals, unattended machinery/equipment

Worker's Compensation – exposure to extremes of temperature

Worker's Compensation – exposure to various chemicals, machinery and equipment hazard

Worker's Compensation – Lacerations or cut injuries whilst pruning plants

Worker's Compensation – trips and falls, back injuries/muscle strains due to lifting

5.

RISK AND THREAT ASSESSMENT

Assessing risk involves considering what could happen if someone is exposed to a hazard and the likelihood of it happening. Carrying out a risk and threat assessment can help you evaluate the potential risks that may be involved in an activity or undertaking. The following bubble chart provides a graphical representation of the organization's monetary exposure to an adverse impact against time. The graph shows both your total and annualized monetary exposure.

The table following each bubble chart provides a summary of the likelihood and impact for the risks identified under the particular broad category of risk, how the risk is being managed, the person responsible for managing that particular risk and a review date(s).

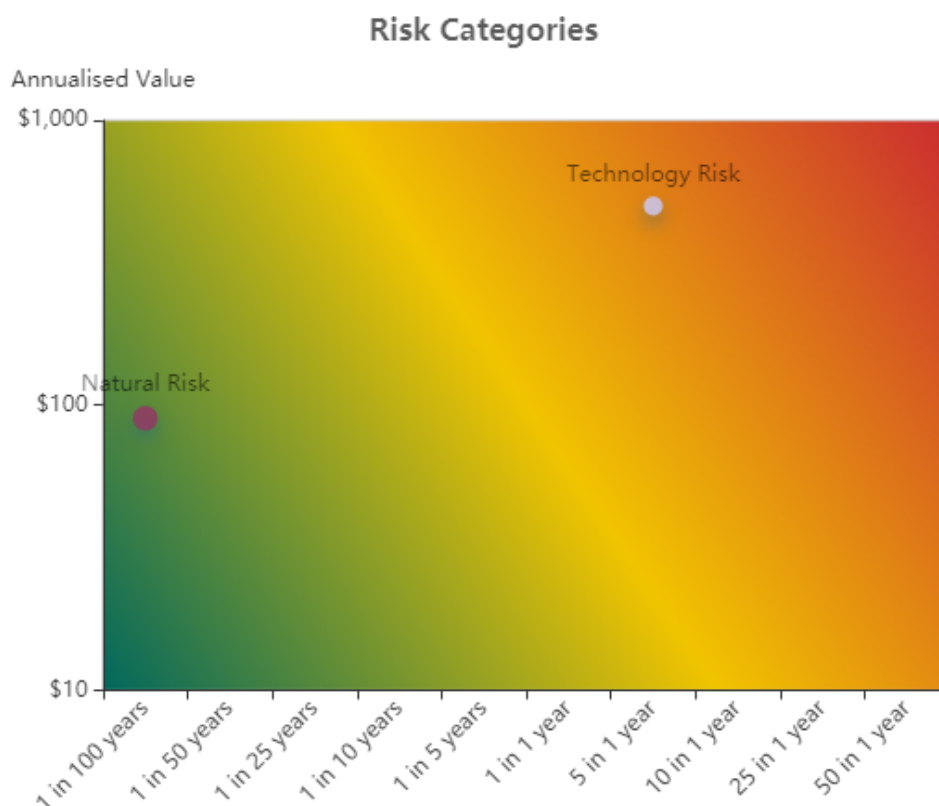


Figure 2: Risk Analysis

Risk Determination Results (Calculation/Valuation)

The determination of risk for a particular threat source was expressed as a function of the Likelihood determination and Impact value.

RISK	LIKELIHOOD	LOSS VALUE	ANNUALISED VALUE
Natural Risk			
Flood	1 in 100 years	\$9,001	\$90
Total			\$90
Technology Risk			
Internet Failure	5 in 1 year	\$100	\$500
Total			\$500

Risk Mitigation Insurance Strategy Results

During this step of the process, controls that could mitigate or eliminate the identified risks, as appropriate to the organization's operations, were provided. The goal of the recommended controls is to reduce the level of risk to an acceptable level.

RISK	MITIGATION STRATEGY	INSURANCE
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5.1 NATURAL RISK

Natural hazards are naturally occurring physical phenomena which are caused by rapid or slow onset events which can be geophysical, hydrological, climatological, meteorological, biological, or astronomical.

Examples of these are: Geophysical, such as earthquakes, landslides, volcanic activity or tsunamis, hydrological, avalanches and floods. Climatological, including extreme temperatures, droughts and wildfires. Meteorological events are those such as lightning strikes, cyclones, hurricanes, tornados, typhoons, storm surges and high water. Biological events including but not limited to disease epidemics and insect/animal plagues.

Astronomically, including meteors, solar storms and comets.

With each of these consider the likelihood of loss, damage or disruption to your organization at your location

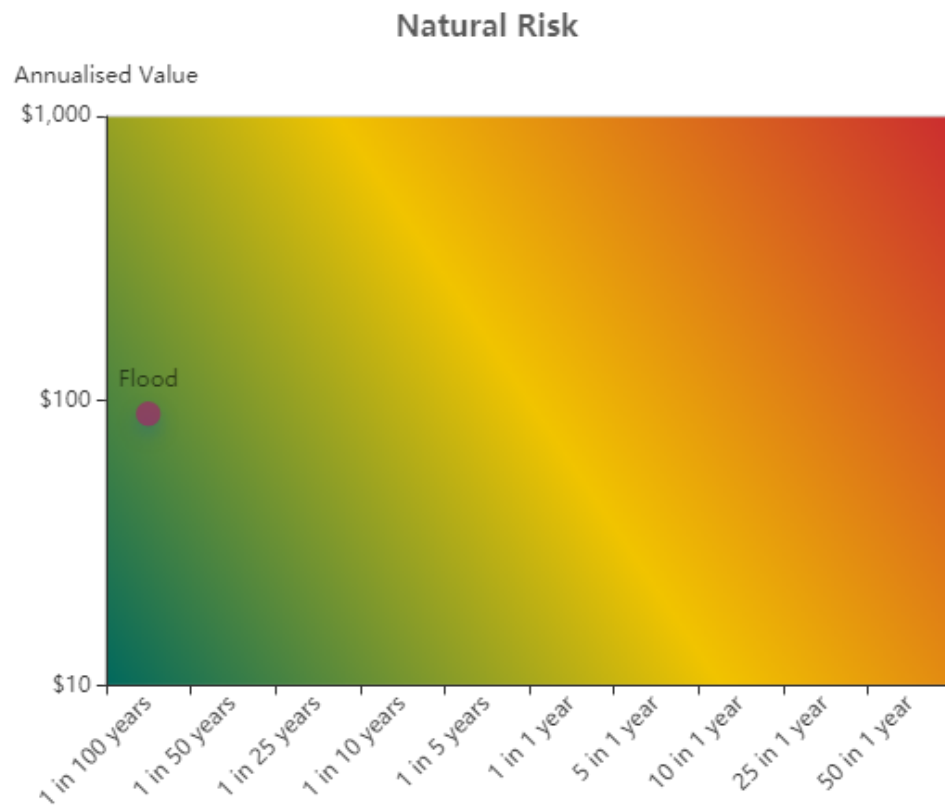


Figure 3: Natural Risk

5.2 TECHNOLOGY RISK

This section may be completed by anyone from the head of a large Information, Communication and Technology Department through to a sole trader.

This means we have provided a little more coaching here as while the risk can be quite great, it can be a case of unknown unknowns.

Many organisations now realise that a breach is not a matter of "if" but "when".

To minimize the impact of a security breach and or leak, this section of the risk assessment will assist in identifying where your organisation's valuable data resides and what controls or procedures are in place to protect it.

Part of the risk treatment should be to build a comprehensive incident response [and disaster recovery/business continuity] plan, determining who will be involved, from IT, to legal, to public relations, to executive management, and test it.

ContinuityCoach will assist you with all this as you proceed through the entire process.

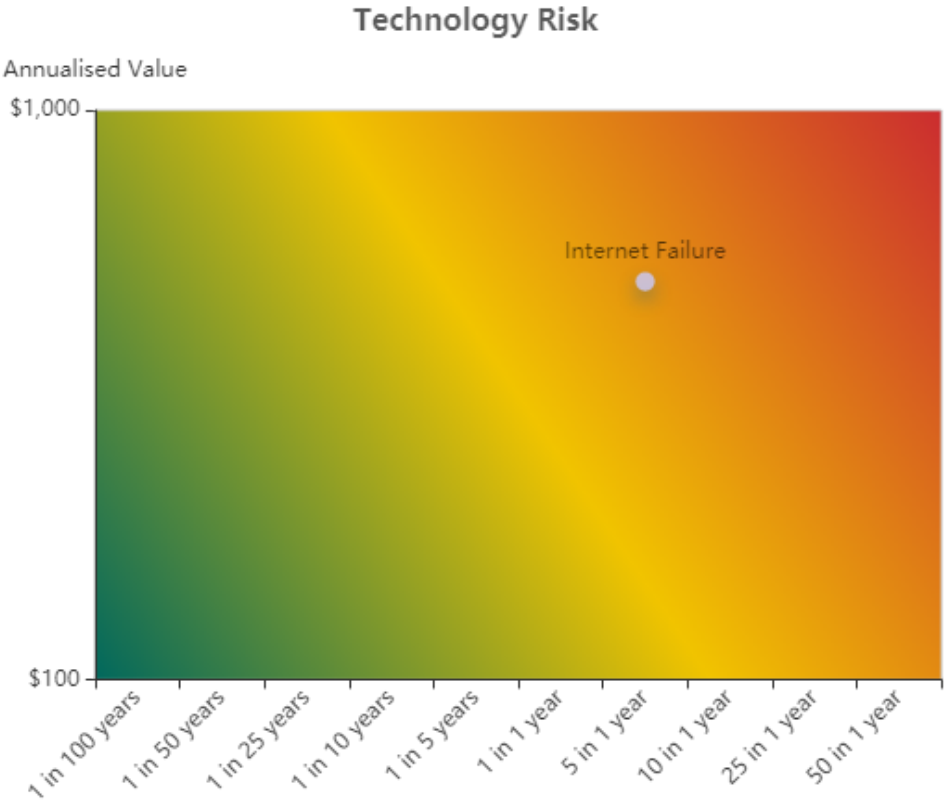


Figure 4: Technology Risk

6. UNDER INSURANCE

It is important to understand that two of the key coverages available in your business insurance, namely; Material Damage & Business Interruption operate differently than many other policies such as your home and contents policy for example.

The most notable difference is due to what is called the Average clause sometime referred to as the Co-Insurance clause. This clause effectively works out the proportion of the risk you have insured for and will pay only that proportion of any valid claim considering you to personally be the insurer of the other portion 'the co-insurer', even in a partial loss. It is vitally important that you understand this, as being under insured even in very large businesses can quickly lead to business failure or, at best, financial stress.

The following example shows the full impact of being under-insured on a partial loss. The formula on a Material Damage or Business Interruption policy with 80% co-insurance/average (most insurance policies will give you a 20% buffer so as not to penalise you for an accidentally underestimating the true value at risk, they understand that it is not an easy task and have provided this tolerance because of this.)

Please note: This is not the hard and fast rule however and you should always do your best to insurer fully

Amount payable per Insurer = $\left(\frac{\text{Sum Insured}}{80\% \text{ of Value at Risk}} \times \text{Loss Amount} \right) - \text{Policy Excess}$	Amount borne by Insured = $\text{Gross Loss} - \text{Insurer's Pay-out} + \text{Policy Excess}$
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If you selected \$1,000,000 as the Sum Insured under either your Material Damage or Business Interruption Insurance Policy, but the value at risk (that is what you should have insured for to be fully protected) was say \$2,000,000 with a loss of \$250,000, the claim would be adjusted as follows.

CLAIM CALCULATION - INSURER	CLAIM CALCULATION - INSURED
Formula with claim figures: $\frac{\$1,000,000}{80\% \text{ of } \$2,000,000} \times \$250,000$ i.e. $\frac{\$1,000,000}{\$1,600,000} \times \$250,000$ i.e. $62.5\% \times \$250,000$	Formula with claim figures: $\$250,000 - \$156,250 + \text{Policy Excess}$
Amount payable per Insurer = \$156,250 less any Policy Excess	Amount borne by (YOU) the Insured = \$93,750 plus any Policy Excess

You can test the actual penalty you may suffer by using the Free LMI Group app - LMi Mobile, which has a calculator or speak to your Insurance Broker.

CONCLUSION

The next Risk and Threat Assessment Review for 'LMI Group Pty Ltd' is scheduled for 24/09/2021

What is the maximum period your organization could be effected by a catastrophic event causing massive loss or damage?

12 months

How much would you need to fast track your recovery?

\$10,001

When would you like to schedule a review of your risk and threat assessment Answers?

12 months

ContinuityCoach.com is structured and is updated where appropriate to reflect current best Business Continuity Management practice as stated in Business Continuity Institute Good Practice Guidelines & International Organization for Standardization ISO 22301 Societal Security — Business Continuity Management Systems — Requirements.



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