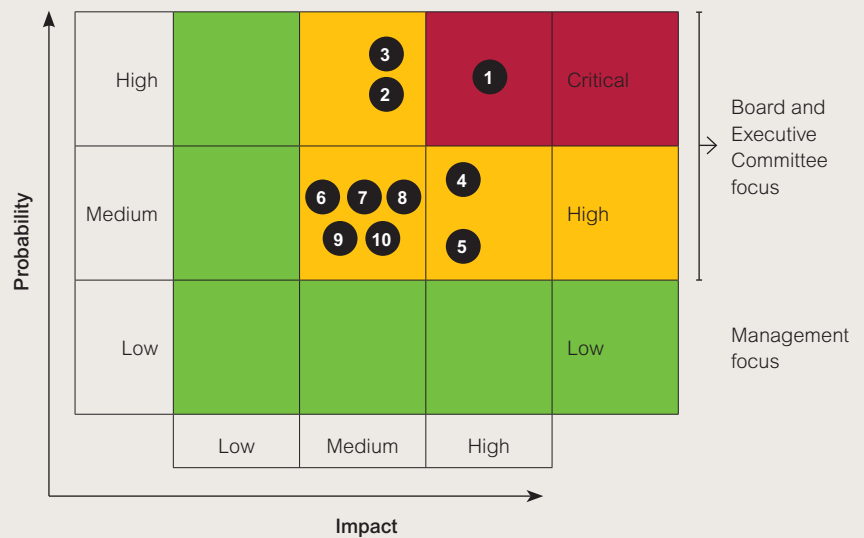


TOP TEN RISKS TO VALUE CREATION

THE TOP RISKS YORK FACES, TOGETHER WITH THE PROBABILITY OF THESE EVENTS OCCURRING AND THE IMPACT THEREOF (HIGH, MEDIUM AND LOW), ARE LISTED HERE. THE MITIGATING STRATEGIES, TOGETHER WITH OPPORTUNITIES ARISING AND MEASUREMENT OF THE IMPACT, ARE LISTED BELOW.

The Board and management team continuously review the top corporate risks to ensure an appropriate understanding of our operating environment.







The residual risks facing York are reflected on this heat map:



The numbers on the heat map correspond to risks discussed on pages 18 to 23.

YORK CONTINUALLY ASSESSES ITS MAJOR RISKS AND RESPONDES THERETO.




TOP TEN RISKS TO VALUE CREATION continued




<p>1</p> <p>TOTAL COST OF EMPLOYMENT</p>	<ul style="list-style-type: none"> • Rapidly rising total cost of employment (salaries and wages) to unsustainable levels. • Increased from 22% in 2015 to 26% of total fixed cost. • Competing unions push up cost of employment. • True cost of employment shows an even higher rate for employing wage-earning employees if consideration is given to the benefits offered to these employees by the Company. 	<p>Probability</p>  <p>Impact</p> 
<p>Mitigating strategies and opportunities arising</p> <ul style="list-style-type: none"> • Increased levels of mechanisation. • Implementation of productivity measures. • Potential consolidation of York’s sawmill operations in the Escarpment region. • Proper consideration and motivation of each and every employee placement with the aim of reducing the headcount. • Rationalisation of headcount with engineering solutions where possible. 	<p>Measuring the impact</p> <ul style="list-style-type: none"> • Total cost of employment. • Profitability – EBITDA/revenue. • Total cost excluding external log purchases. • Net cash from operating activities. 	<p>Capitals affected</p> <p>–</p> 
<p>2</p> <p>YORK SHARE PRICE</p>	<ul style="list-style-type: none"> • York’s share price is disconnected from the long-term value of the Company. • Trading at substantial discount to net asset value. • Total shareholder returns not linked to Company’s performance. • Creates a negative perception of the Company among investor community. • Limiting ability to raise capital at a realistic level to fund growth plans. 	<p>Probability</p>  <p>Impact</p> 
<p>Mitigating strategies and opportunities arising</p> <ul style="list-style-type: none"> • Revision of business strategy in progress. • Formulated policy on dividend payments and/or share buyback. • Continuous annual profitability. • Corporate action. • Investor communication ongoing. 	<p>Measuring the impact</p> <ul style="list-style-type: none"> • Focus on cash generation and reducing debt. 	<p>Capital affected</p> 



<p style="text-align: center;">3</p> <p>MARKET CONDITIONS/ PRESENCE IN THE MARKET</p>	<ul style="list-style-type: none"> • Poor economic growth and a resultant slump in the building and construction industries. • Reduced levels of sale – specifically plywood – resulting in increased stock levels. • Impact of the strikes on customer confidence. 	<p>Probability</p>	
	<p>Lumber</p> <ul style="list-style-type: none"> • Strong lumber price competition. • Demand is weak. • York requires a specific product mix selling basket. Log supply is a constraint. 	<p>Plywood</p> <ul style="list-style-type: none"> • Local demand for shutterply has diminished due to poor economic conditions and slowdown in construction activities. • Pressure from Brazilian imports at reduced prices. • Export market: lower demand with significant price reductions, given downward spiralling prices from Brazil. 	<p>Impact</p>
	<p>Mitigating strategies and opportunities arising</p> <ul style="list-style-type: none"> • Focus on maintaining profit margins and scaling down operations. • Expand channels to market. Focus on frequency of sales. • Improve the distribution network. • Development of a balanced customer base – also addressing slow moving stock. • Continue to pursue niche export markets. • Re-establishing North American markets with agent selling directly to end-customers and retailers. • York product quality acknowledged by the market. • Scaling down operations to reduce stock and generate cash. • Service to the market. Frequency of sales and punctual delivery. • Presence during customers' decision-making process. • Expansion of the customer base. • Develop alternative uses for plywood. 	<p>Measuring the impact</p> <ul style="list-style-type: none"> • Improving segmental profitability. • Increase net cash from operating activities. • Maintain local market share and improve export volumes. • Reduce stock levels. • Improve net cash flow from operating activities. 	
	<p>Capitals affected</p>		

TOP TEN RISKS TO VALUE CREATION continued

<p>4</p> <p>UNION RIVALRY AND INDUSTRIAL RELATIONS STRATEGY</p>	<ul style="list-style-type: none"> • Risk of disruptions due to ongoing rivalry between opposing unions. • NUMSA is not recognised within the Bargaining Council for the Wood and Paper sector. • On-site negotiations are costly and time consuming. 		<p>Probability</p> 
	<p>Mitigating strategies and opportunities arising</p> <ul style="list-style-type: none"> • Recognition agreement with NUMSA is being finalised. • Continuous and direct communication with employees and unions on a number of platforms. • Appointment of an experienced communication consultant. • Open the communication channels between employees and various levels of management to minimise distorted information flow from unions to employees. • On-site negotiations and targeting multi-year wage agreement. • Strike mitigation action plans. • Aligning Human Resources division structure to accommodate changing requirements. • Building of relationships and company culture. 		<p>Impact</p> 
	<p>Measuring the impact</p> <ul style="list-style-type: none"> • Active responsible social citizen. • Adherence to Company policies and procedures. • Business interruption impacting EBITDA. 		
<p>Capitals affected</p> 			




<p>5</p> <p>LAND EXPROPRIATION WITHOUT COMPENSATION</p>	<ul style="list-style-type: none"> • Government is investigating the possibility of changing the Constitution of South Africa to enable the expropriation of land without compensation. • York, as a substantial private land owner, could become a target for expropriation. • Creating uncertainty and a negative perception among investors. 		<p>Probability</p> 
	<p>Mitigating strategies and opportunities arising</p> <ul style="list-style-type: none"> • Forestry industry's collective response and engagement with Government via Forestry South Africa. A constructive meeting was held with a positive response. • Direct communication and inputs to Government. • Structures to efficiently deal with land claims are in place. 		<p>Impact</p> 
	<p>Measuring the impact</p> <ul style="list-style-type: none"> • Value of biological asset. • Supply of sufficient raw material to processing plants. • Change in total landholding that could impact financing from banks. • This could lead to reduction of staff, scaling down of operations and retrenchment. • The productive asset base of the business being reduced, impacting the profitability of the Company. 		
<p>Capitals affected</p> 			






<p>6</p> <p>EXTERNAL LOG PROCUREMENT AND SALES</p>	<ul style="list-style-type: none"> • South African Forestry Companies Limited's (SAFCOL) marketing policy that allows it to limit the supply of logs to the market and thereby inflate the floor price. • No clear price policy and lack of long-term supply agreements. • This has pushed up log prices in the Mpumalanga and Limpopo provinces to 15% above the industry average. • Profitability of processing operations is slowly being eroded by SAFCOL's historical excessive log price increases. • Excess volumes not offered as part of the bidding process are then either exported or sold outside the tender process. 	<p>Probability</p> <p>Impact</p>
	<p>Mitigating strategies and opportunities arising</p> <ul style="list-style-type: none"> • Ongoing engagement with SAFCOL on the revision of its marketing policy – specifically relating to a transparent pricing mechanism as well as the implementation of three- to five-year renewable log supply agreements. • Engagement with SAFCOL on proposed co-operation models. • Alternative log supply solutions are being actively pursued and procured. • Consolidation of operations by implementing new technology. • Sappi supply and offtake agreements. • Exploration of opportunities for expansion of forestry landholdings in South Africa. • Enhance the effectiveness of processing facilities. 	<p>Measuring the impact</p> <ul style="list-style-type: none"> • Procure external logs at market related prices. • High log prices impact value margin of sawmills. • Direct EBITDA impact. • Investment in processing facilities becomes risky if there is no security of raw material supply.
	<p>Capitals affected</p>	



<p>7</p> <p>MILL INTAKES AND PRODUCT MIX</p>	<ul style="list-style-type: none"> • Log mix supply optimisation and erratic supply due to third-party suppliers. • Product mix is determined by the log mix delivered to the processing plants. • Log mix is impacted by log diameter and length. • Processing technologies vary between processing plants requiring logistics to supply optimal log mix to each processing facility. 	<p>Probability</p> <p>Impact</p>
	<p>Mitigating strategies and opportunities arising</p> <ul style="list-style-type: none"> • Effective procurement of external logs in terms of price, volume and period of supply. • Infield log mix management via LogTrace system. • Three-month rolling forecast combined with efficient production and market supply planning. • Acquired inbound logistics capability to be flexible in order to supply the optimal mix to the processing plants. 	<p>Measuring the impact</p> <ul style="list-style-type: none"> • Net cash from operating activities. • EBITDA return on capital employed. • Sustainability of own plantations. • Processing plants' throughput and value margin in terms of market elements. • Producing quality products.
	<p>Capitals affected</p>	

TOP TEN RISKS TO VALUE CREATION continued

<p>8</p> <p>INFORMATION SYSTEMS (TECHNOLOGY DISADVANTAGE)</p>	<ul style="list-style-type: none"> • Current ERP system is old, outdated and no longer supported. • Various other systems are being used throughout York which are not integrated, creating islands of information. • Radio communication capabilities for operations. 		<p>Probability</p> 
	<p>Mitigating strategies and opportunities arising</p> <ul style="list-style-type: none"> • New ERP/financial system project implementation in progress. Phased implementation with target go-live date of 1 November 2019. • Data management and enhanced decision-making tools. • Big data analysis capability increased. • Migration and upgrade to digital radios in progress. 	<p>Measuring the impact</p> <ul style="list-style-type: none"> • Control IT spend. • Enhance decision-making. • Enhance control environment throughout the organisation. 	<p>Impact</p> 
	<p>Capitals affected</p> 		

<p>9</p> <p>TRANSPORT AND LOGISTICS COSTS</p>	<ul style="list-style-type: none"> • Increasing cost of inbound and outbound transport. • Fleet management control. • Increasing repair and maintenance costs due to aging equipment. 		<p>Probability</p> 
	<p>Mitigating strategies and opportunities arising</p> <ul style="list-style-type: none"> • Insourcing of operations – acquisition of major inbound log transport contractor operations. • Mercedes Benz facility of R50 million for the acquisition of new trucks. • Optimise decisions on equipment replacement requirements. • Reduce delivery cost of raw material and final product to customers. • Focus on central dispatch planning to improve both efficiencies and customer service levels. • Continuous training by workshop staff with various original equipment manufacturers – inspection and preventative maintenance. 	<p>Measuring the impact</p> <ul style="list-style-type: none"> • Transport and logistics costs. • Value margin – sawmills. • Value margin – plywood plant. • Profitability – EBITDA/revenue. • Total cost excluding external log purchases. • Net cash from operating activities. • EBITDA return on capital employed. 	<p>Impact</p> 
	<p>Capitals affected</p> 		



<p>10 FIRE</p>	<ul style="list-style-type: none"> • Plantation fire – loss of trees younger than 10 years. • Skew age distribution of trees in the escarpment due to 2007 fires, resulting in increased pruning and thinning operations and leading to higher fuel load. • Neighbouring plantations constituting a higher risk due to non-conclusion of firefighting agreements and fire readiness preparation. • Neighbouring community unrest due to unresolved Government issues. • Fire at processing plants – physical loss and business interruption. • Fire risks at warehouse operations. 	<p>Probability </p> <p>Impact </p>
	<p>Mitigating strategies and opportunities arising</p> <ul style="list-style-type: none"> • Self-insurance fund for forest fires is in place. • Implemented a Fire Management and Protection Plan. Continuous improvement. • Focus on identification of high-risk areas, fuel load reduction. • Under-canopy burning implemented to further reduce fuel load in high-risk areas. • Most compartments planted are being burnt prior to planting to reduce fuel load. This has been complemented by the addition of mulching capability, which has added capacity to reduce fuel load when unable to burn. • Early detection and rapid initial attack. • Enhanced digital detection with wider coverage, resulting in reduced manual lookouts – phasing out of manual detection. • Continued investment in adequate firefighting equipment – first forestry company to implement the latest technology compressed air foaming system (CAFS) firefighting trucks (2x) for the South African forestry industry for the control of wild fires. • All applicable employees are trained and prepared. Process to be expanded going forward. • External service providers to retrain all York fire proto teams. • All strike teams are fully trained and equipped. They are placed at strategic positions on high fire danger days to ensure quick response to fires. • Improved communication with teams adds to quicker response time. • Audited and approved fire plans are in place for all processing plants. • Regular testing of fire hydrants and equipment. • Implementing fire audits and plans for warehouse sites. • Risk engineer annual review of processing risk – including fire – York improvement shown annually. • Sprinkler systems are in place at selected sites. 	<p>Measuring the impact</p> <ul style="list-style-type: none"> • Value of biological assets. • Profitability – EBITDA/revenue. • Total cost excluding external log purchases. • Net cash from operating activities. • EBITDA return on capital employed. • Self-insurance fund value. • Time to respond from onset of fire.
	<p>Capitals affected</p> 