








# OUR VISION, MISSION, STRATEGY AND BUILDING BLOCKS FOR THE FUTURE

## WAY BETTER VALUE CREATION

Clover's corporate strategy is to build onto existing competencies within the Group and to establish a culture of exceptional performance with a view to set a platform for future market expansion. Different companies within the Group have different strategies, all receiving company specific support to maximise their potential. Key to all its activities is the expansion of capacities to share in the strong growth in consumption in the segments which it dominates.

## STRATEGIC PILLARS

-  To simplify and reduce costs in the supply chain by changing the operational model to fit with the business model.
-  To successfully complete value-enhancing capital projects through proper planning, project management and the tracking of the business case benefit.
-  To optimise the brand portfolio.
-  To increase market share through sales and distribution by leveraging off Clover's strong distribution capabilities (Clover's aim is to constantly redesign service offerings to customers and principals in order to increase sales volumes and profitability of the route to market).
-  To actively support the business in the most effective and efficient manner.
-  To constantly adapt Clover's human resources capabilities in order to fit its business model.
-  To actively seek value-enhancing corporate activity.

## COMPETITIVE STRENGTHS

-  Strong and unique relationships with its milk producers and suppliers.
-  Value-enhancing optimisation and expansion projects (Project Cielo Blu).
-  An iconic South African consumer brand with market recognition.
-  The largest chilled and one of the largest ambient distribution networks in South Africa.
-  Exposure to an attractive industry with favourable fundamentals.
-  Attractive growth opportunities.
-  Dynamic management team with significant experience in the dairy and fast moving consumer goods industry.

This report is structured in accordance with the concept of the six capitals, as defined by the International Integrated Reporting Council ("IIRC"). These six capitals aim to describe the resources utilised by Clover in order to preserve the value created since the company's incorporation. These include manufactured capital, intellectual capital, human capital, social and relationship capital, natural capital and financial capital.

## FUTURE VALUE CREATION

Clover is focused on the ongoing revision and revitalisation of its marketing strategy by growing its brand basket and successfully maintaining existing brand market shares. This is done through developing new value added products and leveraging from its existing strong brands in the dairy and beverages categories to increase Clover's profitability. New products will either be developed by Clover's in-house Product Innovation and Technology Department or in co-ordination with joint venture-like partnerships, like the recent deal with Futurelife where a healthy, nutritional drink is being developed.

In Clover's quest to grow its range of products, the Group constantly monitors potential mergers and acquisitions and joint venture opportunities with the view to unlock potential synergies in its supply chain. Clover only considers opportunities that would improve its overall operating margins, while maintaining optimal debt equity ratios. Consolidation is necessary in Clover's business in South Africa as cost structures are duplicated over multiple segments of the business. Through future consolidation, several synergies can be unlocked that can reduce overall unit costs.

The growing demand for natural resources will force dairy companies to process products more efficiently through lowering its carbon and water footprint by making use of the latest global technologies in South Africa. In addressing its dispersed factory locations, Clover is evaluating its options to consolidate these factories and install latest technology, enabling it to improve its cost competitiveness, while also achieving synergies in the sustainability of its operations. As some of these technologies are expensive, Clover is constantly reviewing available government tax incentives and grants, to ensure business cases and projects are feasible.

Clover is also evaluating government incentives available in Agro processing, to benefit milk producers whilst supporting black farmer development. In line with Government's Broad-based Black Economic Empowerment Initiative, Clover aspires to become a Level 4 contributor from its current Level 6 rating on the existing Agri Sector Codes. The extent to which the Agri Sector codes will be amended in accordance with the new amended BEE Codes released in October 2013 is uncertain.

## RESPECT

We value our employees and treat them fairly and with respect, whilst acknowledging our differences.

Our organisational culture is based on

**INTEGRITY** by building trust which is necessary for a business to form strong relationships with all stakeholders, enabling us to make better, more effective internal decisions.

## FAIRNESS

We are committed to promote fair competition, avoid illegal anti-competitive activities with competitors such as price fixing, terms of sale, allocation of markets or customers or unfair labour practice.

We take ownership and are

**RESPONSIBLE ACCOUNTABLE** for our acts and omissions. Our commitment to all our stakeholders is to always exercise our obligations with due care, diligence and skill, while maintaining Clover's business strategy which is economically, socially and environmentally sustainable.