

# CLOVER'S RISK UNIVERSE



## OUR VISION

To be a leading branded foods and beverages group in South Africa and selected other African countries, providing accessible nutrition to all consumers

## OUR MISSION

Preferred employer

Being a responsible corporate citizen

Way Better operations across supply chain to provide sustainable shareholder value

Develop or acquire brands to occupy number one or two position in chosen segments

Providing consumers with quality and trusted products, underpinned by leading dairy businesses

Reaching the Group's widely dispersed consumers/customers on a daily basis



SUPPORT SERVICES



PROCUREMENT AND SUPPLY CHAIN PLANNING



PRINCIPAL FACTORIES



AFRICA EXPANSION



DISTRIBUTION FACILITY



MILK PROCUREMENT



PRODUCTION



CONSOLIDATE INDUSTRY



BRANDS AND MARKETING



SALES AND MERCHANDISING

## INHERENT RISK ON BUSINESS MODEL

## RISK MITIGATION



- Consumers are under pressure with rising inflation putting pressure on price and volume

Continuously monitor sales prices to ensure price premiums are justified. Clover is considering potential actions to drive further cost efficiencies.



- Distribution centralisation (retailers)
- Increased competition for distribution

A retailer has embarked on a process which requires Clover to only deliver to their distribution centre instead of their stores. All distribution from their distribution centre will therefore be done by themselves. From Clover's perspective, our fleet would have to be changed to cater for bulk loads. Clover is currently considering action plans to change its distribution model to enhance efficiencies.



- Competitors on the rise with new brands

Continuously monitor sales prices to ensure price premiums are justified. Clover is considering potential actions to drive further cost efficiencies.



- Compliance with legislation

Continuous compliance monitoring and training within the Group where mitigation measures are formulated into written policies.



- Competition law compliance

A Competition law Centre of Excellence has been established and is supported by Bowman Gilfillan. Continuous compliance monitoring and training within the Group where mitigation measures are formulated into written policies.



- Factories are too dispersed, requiring consolidation

Synergies can be unlocked by having a centralised Industrial park which will assist Clover and the milk producers of South Africa to grow and create new markets.



- Global commodity market under pressure



- Weakening exchange rates, impacting packaging and other costs negatively
- Commodity prices are low for the export market

Supplier agreements are continuously renegotiated to improve efficiencies. Commodity prices are monitored on a monthly basis through the CFI trading desk, through which best prices are realised.



- Milk producers under pressure with rising input costs
- Few growth opportunities for producers

Clover monitors the milk price to feed cost ratio on a continuous basis in order to protect its milk source. Through CFI and our African expansion initiatives, new growth markets are being pursued.



- Increased pressure on labour costs
- Unstable labour environment
- Compliance with legislation

Communication channels with labour are being enhanced to address the business risks. Continuous compliance monitoring and training within the Group where mitigation measures are formulated into written policies.

### 1st line of defence

- Management

### 2nd line of defence

- Policies and procedures
- Internal controls
- Risk management
- Legal
- Regulatory compliance
- Management executive committee

### 3rd line of defence

- Internal Audit
- External Audit
- Other external assurance providers

### 4th line of defence

- Board
  - Board Committees
- (see diagram on page 48)