RISK MANAGEMENT

The group's risk management framework aims to:

- align strategy with risk appetite and tolerance;
- improve decision-making which improves the group's risk profile;
- ensure equitable commercial terms and conditions are contracted;
- promote continuous improvement through the application of key lessons learnt;
- improve predictability and build shareholder confidence;
- build robust organisational risk structures and facilitate timeous interventions to promote long-term sustainability; and
- promote the efficient and proactive utilisation of opportunities.

The top strategic risks are included in the table below:

Ranking 2018	Top strategic risks threatening the achievement of the business plan	Current mitigation strategies	Impact on business plan	Residual risk rating
1	**Group performance in current market conditions** Current tough market conditions have resulted in sales volumes consistently decreasing. Due to continual declining revenues, any reductions in the cost base have been inadequate. A continuing deterioration and an inability to respond adequately to adjust the DAWN group business model to the new market and economic reality will impact the group's ability to continue as a going concern.	» Core focus on positively disruptive business strategies and opportunities. » Working capital reduction. » Right-sizing of expenses and working capital reduction to generate funds. » Further disposal of non-core assets. » Margin improvement through renegotiated supplier terms. » Right-sizing the expense base. » Restructured funding to improve interest expense.	Extreme	Extreme
2	**Liquidity management** Liquidity is impacted by continued pressure on group funding facilities and constrained cash flow, due to current performance levels and the group's inability to show traction fast enough in terms of profitability, combined with inaccuracy of forecasts attributable to the unpredictability of performance.	» Regular fortnightly cash flow forecasts. » Liquidity management interrogated by executive management and the board. » Regular engagement with suppliers of funding. » Initiatives to improve forecast accuracy.	Extreme	High
3	**Supplier performance disruptions** Inbound supply challenges have been experienced with certain key suppliers, impacting the consistency with which customer demand can be met.	» Regular engagement with suppliers. » Consider alternative strategies to mitigate dependency risk.	Extreme	High

RISK MANAGEMENT continued

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4	**Supply-chain inefficiencies** Although progress has been made in terms of the supply value-chain, management remains focused on improving inefficiencies related to demand planning, stock and warehousing management, impacting on customer fill rates and standards.	» Focused optimisation project completed July 2018. » Various additional initiatives, both internally and externally, to bolster supply-chain effectiveness and efficiency.	High	Medium
5	**Transformation** Inability to comply with the new B-BBEE codes effectively in light of the present economic reality.	» Ongoing initiatives to improve the group's rating.	High	Medium
6	**Impact of legacy matters on turnaround plan** The implementation of the turnaround plan was delayed due to F2018 becoming a year of discovery and intense clean-up. The legacy costs structure continues to be a factor that hampers current performance.	» Various internal initiatives to identify and mitigate known issues. » Address the legacy costs structure. » Focus on financial discipline, governance and compliance.	High	Medium