

BERGER



...enduring beauty and protection

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COVID 19 BUSINESS CONTINUITY PLANS – BERGER PAINTS NIGERIA PLC

1. Introduction

Berger Paints Nigeria Plc (BPN)'s Covid-19 Business Continuity Plan (Plan) are a subset of our broader Business Continuity Framework designed to manage and navigate the crises induced by the novel Corona Virus pandemic. The Plan outlines measures which we have adopted for the provision of services to our customers with minimal disruption, without compromising the Berger Paints Nigeria Plc's level of quality, efficiency and convenience.

An impact assessment on the different aspects of our operations has been undertaken and steps taken to mitigate the impacts are detailed hereunder:

2. Impact on Health and Safety

We have set up a COVID-19 Crisis Management Team which monitors the implementation of all internal preparations and response measures. This includes communication, travel guidelines, hygiene, health checks, work procedures and general protection of personnel. Our ongoing contingency measures are aimed at limiting social contact and continuous testing in line with World Health Organisation's ("WHO"), guidelines and international best practices. Our Lagos office has an onsite health checkpoint.

3. Impact on Operations

Steps have been taken to ensure operational continuity by adequately supporting working remotely for all units (excluding production), restructuring of existing credit terms, robust supply chain, innovation advancement and undertaking a review of sales & marketing initiatives to generate revenue. We also intend to undertake periodic Risk Assessment (RA) and Business Impact Assessment (BIA) to understand the company's overall risk profile and develop recovery plans.

We have also leveraged on technology based resources like Zoom Meetings, Microsoft Teams, etc. to ensure meetings have continued to be held seamlessly despite the crises.

A review of our business continuity systems has commenced to ensure our ability to continue production and business operations with minimum disruption in the event of a complete shutdown of physical access to office premises where we are unable to continue production from our factory located in the Head Office. We will keep you updated in this regard.

4. Impact on Supply Chain

We have assessed the Company's exposure to supply chain risks like continued weakening links in supply chain, supply shortages & increased prices, fulfilment delays, increased transportation prices and disruption in logistics & production and

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have successfully minimized the impact to our supply chain proactively by taking the following steps:

4.1. Geographic diversification of Raw Materials and Components Sourcing: A list of critical Raw materials and components sourced from China and other affected areas have been established with alternative sources/suppliers identified.

4.2. High Risk Materials: We have identified alternatives and/or increased our existing stock levels of raw materials that we have identified as high risk (e.g. due to long supply lead times, etc.).

4.3. Mapping criticality of sourced materials to high-value products and revenue streams: Components and raw materials that have the highest impact on revenue streams have been identified, to ensure scarce capacity is allocated wisely.

4.4. Updating inventory policy and planning parameters: We are currently reviewing and adjusting inventory levels and raw materials to address longer supply chain delivery times to meet customer demand. We have also aligned IT systems and support to evolving work requirements.

4.5. Focusing on production scheduling agility: We have set up processes to ensure judicious conversion of raw materials to finished goods and align with demand and supply. Prioritizing products to be produced in the event of raw and direct material inventory shortages, especially where a component part may be used in multiple finished goods.

4.6. Evaluating alternative outbound logistics options and secure capacity.

4.7. Optimizing Inventory and Production: We will be working with our customers to ensure we have the most accurate demand representation possible.

5. Impact on Budget/Forecasts/Cash flow

The Company's previously set budgets and forecasts for 2020 are now of limited relevance given the rapidly changing economic and business circumstances. This has therefore necessitated the significant revision in revenue forecast, gross margins and working capital. Hence, assessing the company's ability to continue as a going concern, BPN's Management considered the following for immediate action:

5.1. Budget/Forecasts

5.1.1. Update Forecasts – We will be updating forecasts and sensitivities, as considered appropriate, taking into account the risk factors identified and the different possible outcomes.

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5.1.2. Re-assessment of Events threatening the Company as a Going concern - We shall be undertaking an assessment of plans to mitigate events or conditions that may cast significant doubt on the company's ability to continue as a going concern.

5.1.3. Assessment of Previously Set targets – Management will be reviewing previously set plans to determine if they are still achievable or realistic.

5.2. Cashflow

Having critically assessed what impacts the current events and conditions have on a company's operations and forecast cash flows, the key issue then becomes whether the company will have sufficient liquidity to continue to meet its obligations as they fall due. In determining this, the following will be considered/actioned as appropriate:

- 5.2.1.** Sufficiency of cash and/or unused credit lines/ borrowing facilities to meet short-term needs.
- 5.2.2.** Whether further actions are needed to generate sufficient cash flows to meet its obligations when they fall due.
- 5.2.3.** To restructure operations gears towards operating costs reduction and control.
- 5.2.4.** To defer non critical capital expenditure.
- 5.2.5.** Improve visibility of funding requirements through robust short-term cash flow forecasts.
- 5.2.6.** Identify and implement quick areas to generate trapped cash or preserve cash.
- 5.2.7.** Establish tighter controls over cash and bring in cash related strategies to seek reduction in leakage.
- 5.2.8.** Developing some short-term tactical liquidity strategies.
- 5.2.9.** Manage communications, rebuild trust and interactions with relevant stakeholders.
- 5.2.10.** Where necessary to explore alternative financing options to support the company's working capital.

Conclusively, the significant doubt associated with the current uncertainties related to the COVID-19 virus currently does not result in a material uncertainty related to such events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Hence, the business is expected to remain in compliance with financial covenants, ensure business continuity and would remain afloat to continuing delivering value to the shareholders.

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UPDATE ON AGM

In line with the guidelines released by the Corporate Affairs Commission, we will be exploring the possibility of shareholder's participation via online medium and use of proxies within the confines of CAMA and other extant regulations.

Further updates in this regard will be provided in due course.

Thank you.



Ayokunle Ayoko
Company Secretary/Legal Adviser

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