

Who we are

Tiger Brands is one of Africa's largest listed manufacturers of fast-moving consumer goods (FMCG). Our core business is manufacturing, marketing and distributing everyday branded food to middle-income consumers. Our portfolio also includes leading brands in the home, personal care and baby sectors.

Our vision

To deliver top-tier financial results and be recognised by all stakeholders as the pre-eminent fast-moving consumer goods (FMCG) company in South Africa and most desirable growth company on the continent.

Our purpose

We nourish and nurture more lives every day.

Our strategy

Our strategy for sustainable profitable growth is supported by four strategic pillars, underpinned by our core values.



DRIVE GROWTH

Winning category, channel and customer strategies



BE EFFICIENT

A cost-conscious and effective supply chain



GREAT PEOPLE

A winning mindset and great place to work



SUSTAINABLE FUTURE

Sustainable company, community and planet

Our values

1

We treat each other with care and respect

2

We deliver with passion and excellence

3

Safety and quality are non-negotiable for us

4

We embrace diversity and inclusivity

5

We act with integrity and accountability in all we do

Winning behaviours

Consumer obsession

Teamwork

Empowered accountability

Focused execution

On the cover:
Jungle | muesli range

Total muesli segment R647m | Volume share 22% | Value share 26%

About this report

Report boundary and audience

This integrated report reviews Tiger Brands’ business model and strategy, the risks and opportunities in our operating environment, and our operational and governance performance for the financial year ending 30 September 2020. In terms of operational scope, operations at Deli Foods in Nigeria were terminated in October 2019 while two separate sale-of-business agreements were entered into for the disposal of the company’s Value Added Meat Products business (VAMP). As a consequence, Deli Foods and VAMP have been treated as discontinued operations for purposes of these disclosures with the comparative information restated accordingly.

This is our primary annual report, written for investors and any other stakeholder who has an interest in our ability to create value over the short, medium and long term. This report should be read in conjunction with the supplementary sustainability report and our annual financial statements, published on our website:

www.tigerbrands.co.za



Combined assurance

We use a combined assurance model comprising assurance obtained from management and from internal and external assurance providers:

- › Ernst & Young Inc. audited our consolidated financial statements, from which extracts have been included in this report. The auditor’s audit report does not necessarily report on all the information included in this integrated report
- › EmpowerLogic Proprietary Limited provided external verification of our BBBEE activities
- › Marsh South Africa conducted risk control audits at our manufacturing sites and warehouses covering health, safety, security, fire protection and readiness
- › The group’s internal audit team, overseen by the audit committee, provides annual assurance to the board on the effectiveness of the combined assurance plan.



Materiality and scope

This report provides information needed to enable an informed assessment of Tiger Brands’ capacity to create value over time. We believe that all of the following information is material, and structured in a manner intended to enable such an assessment:

- › **Who we are:** Our group profile and leadership team (see pages 4 to 62).
- › **How we create value:** Our business model, key relationships and business impacts (see pages 12 to 15).
- › **What impacts on value:** Our operating environment, and material risks and opportunities (see pages 28 to 35).
- › **Our strategic response:** Our strategy and performance (see pages 36 to 61).
- › **Our governance:** Our governance activities and remuneration practices (see pages 62 to 89).

Reporting frameworks

Our reporting process has been guided by the principles and requirements contained in the International Financial Reporting Standards (IFRS), the IIRC’s International <IR> Framework, the King Code on Corporate Governance 2016 (King IV™*), the JSE Listing Requirements, the South African Companies Act, No 71 of 2008, and the GRI’s Sustainability Reporting Standards.

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Board approval

As a board, we have applied our collective mind to the preparation and presentation of the information in this report. We believe that the report addresses all material matters and that it presents a balanced and fair account of Tiger Brands’ performance for the financial year ending 30 September 2020, as well as an accurate reflection of our strategic commitments. On the advice of the audit committee, the board approved the integrated report and the consolidated annual financial statements on 19 November 2020.

Khotso Mokhele
Chairman

Noel Doyle
CEO

Emma Mashilwane
Chair of audit committee

Additional information not material for this report, but of interest for other purposes, is provided in separate reports and on our website. In assessing those issues that materially impact value creation we have looked beyond the conventional financial reporting boundary to provide for the relevant interests of key stakeholders. We have also considered the most significant risks, opportunities and impacts associated with our activities over the short term (less than 12 months), medium term (one to three years) and long term (beyond three years).

Our value contribution in 2020

Financial performance (from continuing operations)



* Before impairments and abnormal items.

Providers of financial capital

- › R740 million paid in dividends (2019: R2,3 billion)
- › Return on equity 10,5% (2019: 13,9%)
- › Return on net assets 21,6% (2019: 26,1%)
- › Cash generated from operations R3 billion (2019: R3,5 billion)

Customers

(retailers, wholesalers and general trade)

- › 26% value share
- › 96% on-shelf availability
- › 90% order-fill

Employees

- › R4,1 billion paid in salaries and benefits to 11 188 permanent employees (2019: R4,0 billion to 10 543 employees)
- › 79% of leadership positions filled internally
- › Recognised by Top Employers Institute as a Top Employer 2020
- › 2 employee fatalities and 1 contractor (2019: 1)

Consumers

- › Launched immunity campaign on the Morvite brand in the context of Covid-19
- › Launched the “perfect store”** initiative
- › Supported at-home consumption, communicated recipe content, listed on major e-tailing and retailers’ online platforms
- › Launched value offerings through multiple configurations of Tiger hampers, extra value packs such as Jungle 1kg + 100g free, specific packs for discount channels Oros 500ml and Brookes Crush

Suppliers

- › R474 million in savings across the supply chain
- › R13 billion spent with BBBEE-verified suppliers
- › R5 billion spend with black-owned enterprises
- › R4 billion spend with black women-owned enterprises

Communities and environment

- › R32 million total socio-economic development spend
- › 87 million meals and 74 455 learners supported by Tiger Brands Foundation

* This programme highlights the in-store execution standards expected from our field sales teams. It provides shoppers with the product range they expect to find in the outlet type, correctly merchandised and displayed, and at a price they are willing to pay for the product.

Group profile

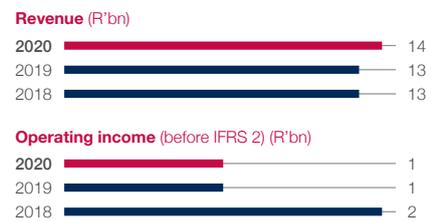
Our core business is providing everyday branded food to large and growing markets through a unified customer sales team and effective supply chain that leverages the group's scale. We target best-in-class profitability, underpinned by a cost-conscious culture and environmental, social and governance (ESG) principles to create and share value.

Grains



+5%
R13,9bn
Revenue
 2019: R13,2 billion

-14%
R1,2bn
Operating income
 2019: R1,4 billion



Consumer Brands – Food



+3%
R9,7bn
Revenue
 2019: R9,4 billion

-20%
R830m
Operating income
 2019: R1,0 billion



Home, Personal Care and Baby (HPCB)



+5%
R2,8bn
Revenue
 2019: R2,7 billion

-6%
R510m
Operating income
 2019: R546 million



Exports and International

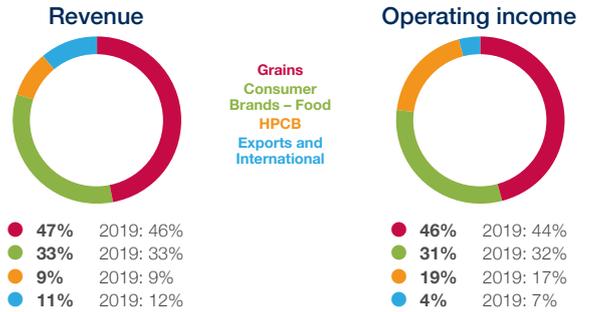


+4%
R3,4bn
Revenue
 2019: R3,2 billion

-51%
R103m
Operating income
 2019: R212 million



We have leading positions in most categories and our iconic brands are well-entrenched with consumers in South Africa, as illustrated by the percentage share of market.



Milling and Baking

- › Baking

Milling

- › Flour
- › Maize
- › Sorghum

Other grains

- › Pasta
- › Oat-based breakfast (Jungle)
- › Rice



Market share %*



Groceries

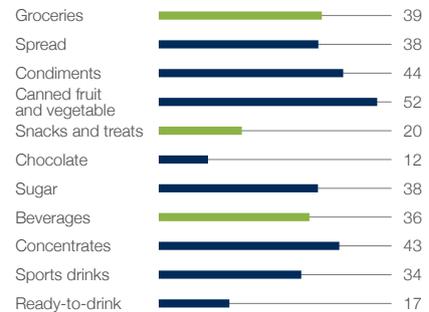
- › Condiments and ingredients
- › Spreads
- › Canned fruit and vegetables

Beverages

- › Concentrates
- › Sports drinks
- › Ready-to-drink



Market share %*



Home Care

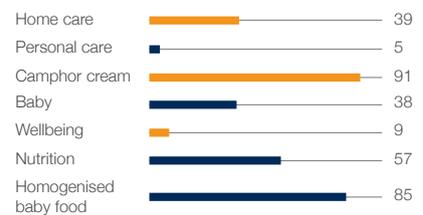
- › Sanitary cleaners
- › Insecticides

Baby

- › Nutrition and wellbeing



Market share %*



Exports

International operations

- › Central Africa (Chococam)

Deciduous fruit

- › Langeberg and Ashton Food (LAF)

* Market share limited to South Africa. Source: Nielsen.

Group profile continued

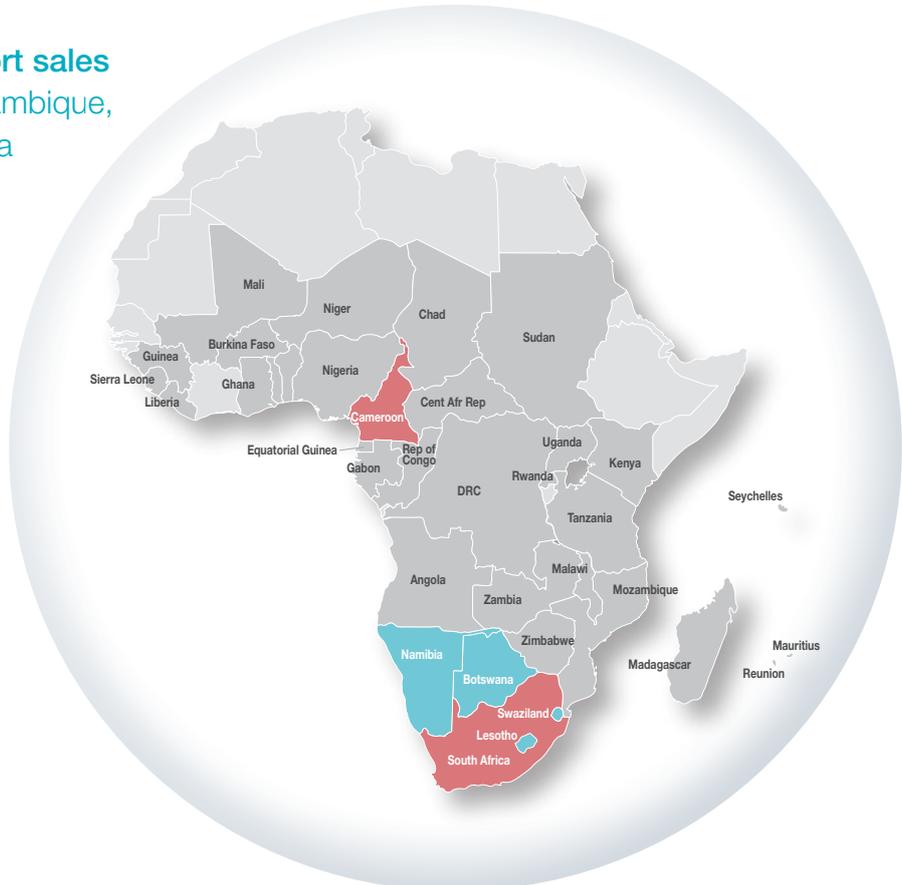
Many of our brands hold number 1 or number 2 positions in market share and equity in their respective categories and have celebrated many external awards for being South Africa's most loved brands



Source: Kantar Brand Health Tracker; Nielsen, September 2020.

We currently export our products to 33 markets in Africa

- › Almost 80% of total export sales from five markets – Mozambique, Zimbabwe, Zambia, Nigeria and Cameroon



* Botswana, Namibia, Lesotho and Swaziland are serviced by the domestic business.

Chief executive officer's review

As we approach Tiger Brands' centenary, amidst the turbulence of an already fragile economy devastated by the impact of Covid-19, the company is facing a critical inflection point. Looking at Tiger Brands' recent history, we have seen the company set back by a series of failures with little in the way of meaningful successes. Understandably, many of our stakeholders are looking at us with a degree of healthy scepticism, questioning whether the company will be able to effect the long-awaited turnaround and recover from its under-par performance.

The company's executive team, assembled largely over the last two years, is fully aware of the significant challenges that the company faces. As a team, we are determined to ensure the creation of a Tiger Brands that will thrive and grow into its second century, a company fit to compete in the "new normal". There is no doubt that this is going to be challenging, but I believe that we have the capability to turn this around, with the right strategy, operating model and management team in place to ensure our resilience and growth. In this report, we seek to provide our investors and other interested stakeholders with the information needed to make an informed assessment of our ability to create long-term value.

A positive response to the Covid-19 pandemic

Although this was a challenging year, we are beginning to see signs of stabilisation, suggesting that we are turning a corner and building momentum.



A particular highlight among all the challenges has been Tiger Brands' response to the Covid-19 pandemic, with the company acting positively and proactively to protect both lives and livelihoods.

In responding to the pandemic, our main objectives were to keep our employees safe, to ensure the consistent availability of our products, and increase food support to communities most in need.



Noel Doyle
Chief executive officer

Chief executive officer's review continued



In the face of Covid-19, we acted rapidly to protect the safety and wellbeing of employees, prioritising remote working where possible, introducing health screening and testing for staff at essential services sites, accompanied by daily deep cleaning and rigorous hygiene and sanitisation protocols, as well as numerous other measures to ensure employee wellbeing. I am saddened to report that 11 of our employees died after contracting the virus. I extend my deepest sympathies to the families of all those who have been severely affected. In the context of these profound challenges, the response of our staff was superb, with record levels of attendance at essential sites during the first six weeks of lockdown, notwithstanding high levels of anxiety and uncertainty around the science of the virus at the time.

Following the introduction of the government's strict lockdown requirements in late March 2020, Tiger Brands was quick to ensure a continuous supply of product in response to initial panic buying and pantry loading. We developed and implemented response protocols to ensure product safety, worked with suppliers, logistics and customers to limit disruptions, and provided effective communication to address concerns around food security. These efforts were accompanied by a strengthened focus on our numerous community food and nutrition programmes for families, school children and frontline healthcare workers and hospitals.

The role of Tiger Brands as an “essential service provider” highlighted the importance of our business as a key contributor to food and nutrition security in South Africa, as well as reminding us of our responsibilities in protecting the wellbeing of our employees and communities. This has brought new life to the societal purpose at the heart of our company, “to nourish and nurture more lives everyday”.

Subdued performance in a tough trading environment

Our financial performance this year reflects the tough operating environment, with the combination of reduced consumer spend and rising input costs placing pressure on volumes and our ability to recover costs. In addition, the year's performance reflects the impact of Covid-19 in terms of related costs and supply chain disruptions. Notwithstanding the difficult trading environment, the company experienced sustained demand in certain categories in the second half due to increased at-home consumption influenced by Covid-19 response measures. However, there were corresponding headwinds in terms of consumer demand in Snacks & Treats, Beverages, Out of Home and Baby. Exports were adversely affected by a trademark dispute with a former distributor in Nigeria, restricting sales into that country for most of the year. The subsequent resolution of this dispute resulted in the resumption of sales into Nigeria, which has provided positive momentum going into the new financial year. In addition, a rebound of our export volumes into Mozambique is evident after several years of underperformance.

Revenue from continuing operations increased by 4%, underpinned by price inflation of 6% and partially offset by an overall volume decrease of 2%. Declining volumes in certain categories, coupled with the inability to fully recover significant raw material cost push, placed gross margins under pressure, resulting in group operating income declining by 18% to R2,6 billion (2019: R3,2 billion).

In August this year we entered into two separate sale-of-business agreements for our VAMP business units. The acquisition of the abattoir business at Olifantsfontein by Molare Proprietary Limited became effective on 28 September 2020, while the disposal of the VAMP processing facilities was successfully concluded post year-end. A significant outcome that we achieved in selling these businesses as going concerns is that we safeguarded the jobs of almost 1 000 employees, a key consideration given the escalating unemployment in the country.

Our strategic priorities: balancing short-term impact with long-term growth

In 2017, we completed a comprehensive review and update of our five-year growth strategy in which we agreed a clear set of commitments for each of the four strategic focus areas – Drive Growth, Be Efficient, Great People and Sustainable Future. Our strategic focus this year has been on delivering against these commitments and embedding the strategy more broadly across the company. We have placed particular emphasis this year on driving those operational initiatives that will improve the performance of our current portfolio and deliver an effective turnaround over the short term, while setting us up for longer-term growth.

It is important to recognise that while any initiatives we take should be limited to those that will have a meaningful impact with a higher probability of success, our response cannot have the luxury of a single-minded focus.

Ensuring a much-improved performance in FY21 is a non-negotiable to restore investor confidence – and to secure the time needed for our turnaround strategies and investments to show results – but this cannot be done at the expense of longer-term growth.

In managing our time and resources we need to find the right balance between the short-term pressure to deliver results, and the need to facilitate longer-term growth, recognising that we are behind in this regard.

In seeking to find this balance, we have identified the following five immediate priorities for restoring value:

- › We will be *accelerating the pivot towards consumer and shopper orientation*, strengthening our focus on meeting consumers' needs. While we are mindful of other key consumer trends – such as health and nutrition, “snackification”, at-home consumption, and the shift to e-commerce – our priority focus for the next three years will be on delivering value to the consumer, given the particularly constrained consumer environment. In addition to driving our relevance in the value segment by building the clear benefits of our current brands through marketing best practice, we will meet the needs of the value consumer by driving innovation and renovation in our product portfolio, implementing price-ladder opportunities within specific brands and categories, and identifying commercially viable opportunities to manufacture private label products to our benefit.
- › A critical enabler of our growth plan is to *improve our supply chain*. We are placing particular focus on restoring competitiveness in our manufacturing activities, improving overall equipment effectiveness and service levels, reducing wastage, and completing our key site optimisation planning, with a continued emphasis on ensuring robust food quality and safety systems across the company.
- › We will maintain a relentless focus on *reducing costs* across all areas of the income statement in a systemic, urgent but measured fashion, with a view to ensuring the sustainability of these cost savings. To deliver on our ambitious efficiency targets, this year we introduced a step-change in how we engage the business on cost savings, changing our governance structure, introducing clear steps from the identification to realisation of savings, implementing stronger levels of transparency and accountability, and beginning to improve our SKU rationalisation through the development of a process map and the roll out of activity-based costing.
- › In addition to improving our current performance, we will be creating the right *platforms for us to grow*. In terms of organic growth: we are optimising our portfolio, focusing on those categories with high attractiveness and competitive strength that should be protected, invested in and grown; we are driving innovation within existing and into adjacent categories; we are pursuing a range of customer and channel initiatives, underpinned by trading terms that work for us as well as the customer; and we are identifying and realising opportunities for category growth in selected African markets. While our primary focus is on driving organic growth, we are continuing to explore opportunities for inorganic growth.
- › Delivering on these objectives is ultimately dependent on us having the right culture. Our fifth priority focus is thus on *igniting our people* to instil an agile performance-based culture where calculated risk taking is encouraged, recognised and rewarded. For too long, too many of our teams have been internally focused and risk-averse, acting in silos and focusing on short-term returns. Our goal is to create a culture of accountability that delivers long-term growth through consumer-focused innovation.

Chief executive officer's review continued

While our immediate priority is on addressing the commercial exigencies we face, we have not lost sight of our strategic commitments to a sustainable future – and our associated goals on health and nutrition, enhanced livelihoods, and environmental stewardship – and it is encouraging to see some initial progress made this year. It is fair to say that in the past Tiger Brands has been somewhat insular from its broader role and responsibilities in society. Recognising the significant social and environmental challenges within the food system, it is imperative that the company is clearer in acknowledging and managing its broader societal responsibilities. Going forward, we will be more active in using our influence for the greater good, with a confidence borne of competence, but tempered with genuine humility.

To deliver effectively on all of these priorities, we have revised our operating model with the aim of providing the individual business units with the benefits of Tiger's scale, but with sufficient autonomy, accountability and flexibility so that this benefit is not eroded by the inertia of command and control from the centre.

The Tiger we are looking to build is not the clichéd oil tanker – too big, too bulky, too cumbersome to make the necessary changes – but rather a convoy of sleek destroyers, close enough to each other to maximise mutual benefit, but far enough away to avoid a single catastrophic incident and nimble enough to be able to make their own evasive and offensive moves. A convoy that changes shape and composition from time to time, but retains its essential form, with the individual business units focusing on excellence in execution, and intimacy with consumers and customers.

Maintaining our strategic enablers

Delivering on these strategic priorities requires a continued focus on good governance, robust food quality and safety systems, employee health and safety, and stakeholder responsiveness, all areas that we review in more detail in this report. There are two issues that I wish to mention briefly upfront.

Firstly, on employee health and safety. While Tiger's response to protecting employees during the pandemic has been admirable, we still have work to do in areas of our occupational health and safety. I am saddened to report that there were three work-related fatalities this year. In February 2020, Adam Makhado was involved in a motor vehicle accident, and in July 2020, Mboniseni Innocent Sithole died in an attempted robbery in Daveyton. Both were employees of Albany and were delivering bread at the time of the incidents. In October 2019, a contractor at Davita, Kuda Sithole, suffered fatal internal injuries when the machine he attempted to instal fell on him. My sincere condolences go out to the families. We have provided support and counselling to the families of our employees

and are implementing appropriate response measures to minimise the potential for future such incidents. There continues to be a concerning number of violent route-to-market incidents, particularly with bread deliveries. We acknowledge the magnitude of the challenge and are resolute in addressing it. Our immediate efforts include undertaking regular risk assessments of all delivery routes and developing tailored response measures. We are exploring longer-term solutions such as enhanced use of technology for more effective security provision, as well as the use of digital payment systems.

The second issue to highlight is our continued strong emphasis placed on food safety and quality and the various measures we have taken to ensure that we have robust management systems, qualified people and a strong quality culture embedded across the organisation. We have further strengthened our audit and assessment processes, achieving external certification for all our manufacturing facilities against globally recognised food safety standards such as FSSC 22000 and HACCP, and started the certification process for our warehouses. It is encouraging to report that we maintained an improving trend on our quality KPIs, ending the fiscal year with zero public recalls, a 25% reduction in market-place incidents and another 5% reduction in consumer and customer complaints.

Outlook

There is no doubt that we face some tough times ahead, with an already weak economy further impacted by the after-effects of Covid-19 lockdown measures, the economic downturn is likely to be significant. The anticipated volatility of the rand and increasing levels of unemployment will negatively impact both the supply and demand dynamics of our business, with consumer disposable income under profound pressure. Huge uncertainty remains regarding the longer-term outlook for the Covid-19 pandemic. Recent developments in Europe and elsewhere suggest the potential for a second wave, placing possible pressure in terms of export bans and port facilities in terms of imported inputs. At the same time, as markets open up, we are likely to see less consumer funds dispersed across a broader range of categories, highlighting the need for an absolute emphasis on value offerings and cost containment.

Given this challenging outlook, I believe our strategic approach and revised operating model presents the right foundation to ensure our resilience, enabling us to harness the diversity of our product portfolio, the strength of our heritage brands, the quality of our customer relationships and distribution networks, and the health of our balance sheet to absorb the anticipated headwinds. Doing so requires that we find that critical balance between delivering a short-term turnaround that stakeholders understandably are expecting, but not at the expense of longer-term growth.

Appreciation

This has been an incredibly eventful and challenging start as CEO of Tiger Brands. Despite the significant challenges, at a personal level it has also been stimulating thanks to the dedication demonstrated by Tiger's employees and my colleagues on the executive team, particularly in their response to Covid-19. I wish to extend my thanks to my colleagues on the executive team for their support, and to the Tiger Brands' board for their advice under the leadership of our chairman, Dr Khotso Mokhele. After thirteen years on the board, and almost four years as chairman, Dr Mokhele will be stepping down with effect from December 2020. I wish to thank him for his dedication and contribution to the company and wish him well in his future endeavours.

We are pleased to welcome Ms Geraldine Fraser-Moleketi who was appointed as independent non-executive director and chairman designate in September 2020. She will assume the role of chairman with effect from January 2021, bringing valuable experience and fresh perspectives. We have also been joined on the board this year by Ian Burton and Olivier Weber, both of whom have extensive expertise in leading innovation and growth in the FMCG sector globally.

We face some challenges ahead, but I am confident that together the company's employees and leadership teams will ensure that Tiger Brands delivers on its potential in creating long-term value.



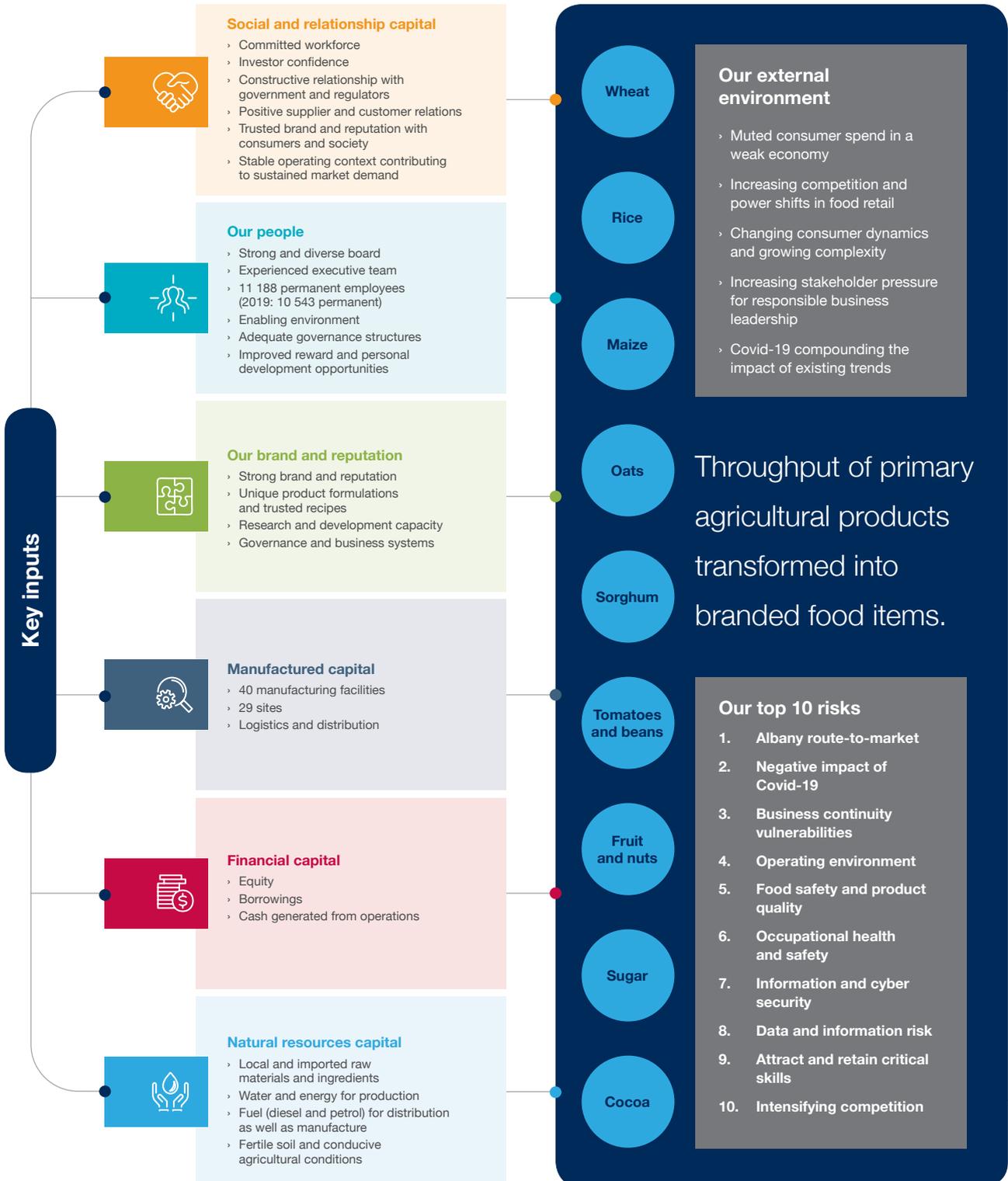
Noel Doyle

Chief executive officer

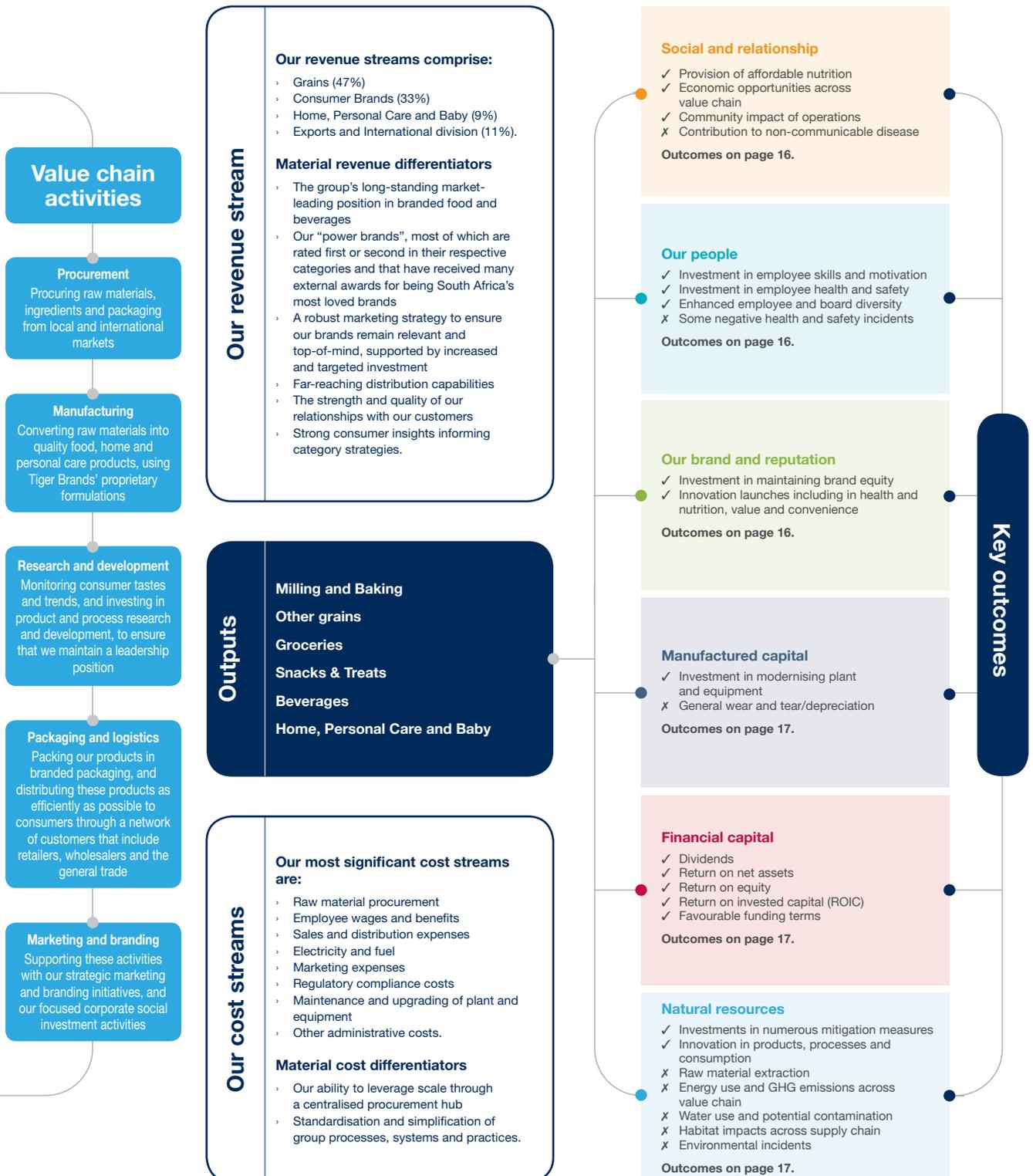
19 November 2020

Our business model

Tiger Brands creates value and delivers on its purpose by producing, marketing and distributing everyday branded food, home and personal care products, predominantly in South Africa with a growing market presence across Africa.



Our core target consumers are middle-income consumers, the largest and fastest growing segment. Our core category is food with immediate adjacencies in beverages, snacks and treats.



Our business impacts

Investing in the capital stocks

SOCIAL AND RELATIONSHIP CAPITAL

Our actions to sustain value

- › Product and process innovation including on health, convenience, e-commerce and value
- › Active engagement with suppliers
- › Trading terms that are fair, equal and available to all customers
- › Regular investor communication
- › Structured engagement with regulators; continued focus on compliance and societal contributions
- › Increased food support to communities most in need during the National Disaster period

Our outcomes of our activities

Generally positive relations across key stakeholder groups:

- ✓ 25% reduction in market-place incidents
- ✓ 5% reduction in consumer complaints
- ✓ R13 billion BBBEE supplier spend
- ✓ Recognised role in ensuring stability of food supplies during initial panic buying with lockdown
- ✓ Increased investment in community food and nutrition programme during pandemic, with additional nutritional support to frontline healthcare workers

Continuing concerns in certain areas

- ✗ Pending listeria Class Action lawsuit and ongoing associated reputational concerns
- ✗ Some investor uncertainty on long-term results in tough market

Material inputs

- › Committed workforce
- › Investor confidence
- › Constructive relationship with government and regulators
- › Positive supplier and customer relations
- › Trusted brand and reputation with consumers and society
- › Stable operating context contributing to sustained market demand

Capital trade-offs

- › Our success as a business depends ultimately on the quality of our relationships with key stakeholders. These stakeholders have different and sometimes conflicting priority interests (see page 16); balancing these competing interests requires trade-offs as we prioritise certain outcomes over others.
- › Investing in social and relationship capital also often requires short- and medium-term financial capital inputs, placing heightened pressure on margins in the short term, but generally generating positive return across most capitals over the longer term. This trade-off between delivering short-term results – to enhance investor sentiment and attracting necessary financial capital – against the need to deliver longer-term sustainable growth, is one of the more challenging trade-offs affecting businesses generally.

See page 46 and sustainability report.

OUR PEOPLE
(Human capital)

Our actions to sustain value

- › Three-pillar people strategy focusing on building a diverse talent base, developing leadership capacity, and creating a great place to work
- › Employee reward and personal development opportunities
- › Sustained focus on promoting diversity and employment equity
- › Identified as an essential service, prioritised employee health and safety during the lockdown period
- › Implemented an incentive scheme for the initial lockdown period to reward those employees at essential site level bravely ensuring continuity of supply and production

Our outcomes of our activities

Improving employee motivation in a more challenging Covid-19 context

- ✓ During the initial lockdown phase, 100% attendance at all essential manufacturing and distribution sites and almost 90% attendance of our outsourced merchandising service provider, Tiger Brands Field Services
- ✓ Voted number 1 employer of choice in manufacturing sector by graduates
- ✓ Recognised as a Top Employer 2020

Enhanced board diversity

- ✓ 60% black and 47% female on board
- ✓ Recent appointments bring extensive FMCG knowledge as well as global experience and contemporary skills in digital concepts and innovation

Enhanced employee diversity

- ➔ African employees comprised 95% of internal appointments

Managed impacts on employee safety

- ✗ Two route-to-market fatalities (2019: 1) and one contractor fatality
- ➔ 0,34 lost-time injury frequency rate (2019: 0,38)

Material inputs

- › Strong and diverse board
- › Experienced executive team
- › 11 188 permanent employees (2019: 10 543 permanent)
- › Enabling environment
- › Adequate governance structures
- › Improved reward and personal development opportunities

Capital trade-offs

- › Labour remains one of our most significant costs. In the context of tough operating conditions there has been a strong drive to identify opportunities for further labour efficiencies and productivity gains across our operations. While reducing labour costs has benefits in terms of financial capital, it has potentially significant negative implications in human and social capital.
- › Investing, attracting, retaining and developing executive talent is a material cost, depleting financial capital in the short term, but resulting in returns in most capital stocks in the longer term.
- › We made significant financial investments this year in protecting the safety and wellbeing of our employees in response to Covid-19, reorganising some areas of the business for remote working, introducing robust testing and hygiene protocols at our essential services facilities, and providing additional staff wellness and support facilities, all of which contributed to enhanced social capital

See page 42.

OUR BRAND AND REPUTATION
(Intellectual capital)

Our actions to sustain value

- › Drive innovation and renovation for value specific consumer needs
- › Deploy marketing best practice toolkit across the business
- › In response to Covid-19, provided meal tips and showed versatility of products such as *Crosse & Blackwell reimagining food*
- › Drive relevance in value segment by building the clear benefits of our current brands

Our outcomes of our activities

Sustained a strong brand presence

- ✓ Completed purpose journeys on majority of the billion rand brands with evident impact
- ✓ Ingram's "Your Skin, Your Brave" campaign had a positive impact on spontaneous awareness in a category dominated by large global competitors and helped modernise brand perceptions

Innovation launches, including:

- ✓ **Value:** Launched extra value packs e.g. Jungle 1kg + 100g free, Induna maize, specific packs for discount channels and Brookes Crush
- ✓ **Price pack architecture:** Jungle plus 500g refills

Material inputs

- › Strong brand and reputation
- › Unique product formulations and trusted recipes
- › Research and development capacity
- › Governance and business systems

Capital trade-offs

- › Tiger Brands' legacy is built on the strength of our brands and the quality of our products, which in turn depends on our proprietary product recipes, our capacity to innovate in response to changing consumer preferences, our robust food quality and safety systems, and our innovative marketing and consumer engagement. Maintaining our leadership in these areas is key to long-term growth, but often has short-term implications on financial capital.

See page 37.



MANUFACTURED CAPITAL

Our actions to sustain value

- › R937 capital expenditure in manufacturing capability and technology
- › Prioritised key value items during Covid-19 lockdown phases
- › Initiated a new capex approval process

Outcomes of our activities

- ✓ Ensured availability of our products and sustained food security throughout the Covid-19 lockdown phases
- ✓ 96% on-shelf availability

Some challenges remain

- ✗ Overall gross margin compression
- ✗ Supply chain challenges in Groceries
- ✗ Growth in private label penetration

Capital trade-offs

- › Investing in plant and equipment is beneficial for longer-term growth, and often leads to cost-efficiency and reduced environmental impacts, but can impair short-term financial performance.
- › Modernising facilities may lead to job losses, negatively impacting social and human capital. Any job losses generally contribute to reduced consumer spend and undermine market growth.

Material inputs

- › 40 manufacturing facilities
- › 29 sites
- › Logistics and distribution

See page 40.

FINANCIAL CAPITAL

Our actions to sustain value

- › Implementation of fit-for-future operating model with clear lines of accountability
- › Continued drive on operational efficiency
- › Strong corporate governance structures
- › Acceleration of portfolio optimisation initiatives
- › Clear guiding principles in response to the growth of private label

Outcomes of our activities

- ✓ Disposal of VAMP
- ✓ 21,6% return on net assets (RONA) (2019: 26,1%)
- ✓ R97 million paid in net interest (2019: R0,2 million net interest received)
- ✓ R3,0 billion cash generated from operations (2019: R3,5 billion)
- ✓ Savings of R474 million (2019: R616 million)
- ✓ Total dividend per share declared: 670 cents (2019: 1 061)
- ✓ 10,5% return on equity (2019: 13,9%)
- ✓ ROIC 11% < weighted average cost of capital (WACC) 12,7% (2019: 14,2% > 12,5%)
- ✓ Cost of equity of 14,2% (2019: 11,7%)

Capital trade-offs

- › Ensuring sustainable growth in financial capital sometimes involves making significant capital investments in the short term – for example to maintain and optimise plant and equipment, invest in R&D, and develop employee talent – or alternatively involves divesting from certain businesses and/or closing plant. Some of these activities to optimise financial capital may be more efficient and have positive benefits in terms of safety and the environment, but come at the cost of employment opportunities, undermining social capital and contributing to broader downward trends in consumer spend.
- › Our strategic direction informs the allocation of capital to balance the short-term interests of certain stakeholders with long-term growth objectives.

Material inputs

- › Equity
- › Borrowings
- › Cash generated from operations

See page 50.

NATURAL RESOURCES CAPITAL

Our actions to sustain value

- › Continued energy and water efficiency measures, with supporting mitigating plans to ensure continuity of production
- › Investment in innovations to optimise packaging and reduce waste
- › Partnerships to reduce food waste and packaging waste

Outcomes of our activities

Some progress in mitigating impacts

- ✓ Absolute water use down 8,84%; water intensity down 5,86%
- ✓ 8,23% reduction in emissions intensity
- ✓ Absolute energy use down 5,34%; energy intensity down 5,69%

Challenges remain in certain areas

- ✗ Although we have improved our environmental governance and legislative adherence through key industry partnerships, monitoring and responding to community concerns continues to be an important factor for Tiger Brands
- ✗ Reliability of electricity and water supply
- ✗ Adverse weather conditions impacting the supply, cost and quality of raw materials

Capital trade-offs

- › Although natural capital is a critical input for all of our activities, our means of generating value across the other capitals often involves some negative impact on natural capital which is sometimes only apparent in the longer term. The global food system is recognised as having a significant impact on biodiversity and habitat loss, climate change and packaging pollution, placing direct pressure on some of the resources we depend on, and heightening consumer and regulatory pressure for more sustainable practices.
- › Given our dependency on natural capital, as well as the potential impact on reputational capital, we strive to minimise environmental impacts across our value chain by investing in mitigating measures in our processes, products and packaging. These measures may themselves have trade-offs – for example using more packaging to reduce food waste, or investing in carbon-efficient technologies that reduce jobs. Balancing these trade-offs is an important challenge affecting all businesses in resource-related sectors, and increasingly requires collaboration and innovation.

Material inputs

- › Local and imported raw materials and ingredients
- › Water and energy for production
- › Fuel (diesel and petrol) for distribution as well as manufacture
- › Fertile soil and conducive agricultural conditions

See page 46 and sustainability report.

Our key relationships

Recognising the critical importance of understanding and being responsive to our stakeholders' interests, we have introduced a structured stakeholder relations strategy to ensure a consistent and proactive approach to engagement across the group.

In 2017 we undertook a dedicated engagement process to develop a baseline appreciation of stakeholders' perceptions regarding our existing engagements, and to identify opportunities to foster increased inclusivity. Since October 2018, we have been working with various stakeholder groups to develop and implement site-specific stakeholder engagement plans. During 2020, we spent more time in our host communities undertaking social-mapping exercises. The results of these exercises have enabled us to be more responsive to specific community needs, and to co-create impact programmes with

communities to bring about mutually agreed change. In the table below we identify those stakeholder groups that have a substantive impact on our ability to create value, briefly outlining their contribution to value creation, our means of engaging with them, and each stakeholder group's primary interests relating to our business activities. Although we appreciate that there is often substantial diversity of perspective and interest within each group, we believe that the interests listed below are a sufficiently accurate reflection of each group's most material interests regarding Tiger Brands' activities and performance.

Employees	Provide the experience, productivity and skills needed to deliver our strategy
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How we engage	Material interests	Our response
<ul style="list-style-type: none"> › CEO and executive-led engagements › Category executives and factory management-led engagements › Internal website › Data-free mobile communication application › Newsletters and email › Internal videos › News boards › Employee hotline › Employee engagement sessions › One-on-one consultations › Thrive employee wellbeing programme communications 	<ul style="list-style-type: none"> › Talent and career development › Employee relations › Inspirational leadership and transparency › Enabling environment › Teamwork and collaboration › Protocols, practices and processes › Diversity and inclusion › Employee safety during Covid-19 › Rationale for commercial decisions in particular disposals › Ongoing Class Action litigation 	<ul style="list-style-type: none"> › Launched partnership engagement sessions with our union leaders led by the CEO and executive team on business and employee matters; in future these will be conducted biannually. <i>(See page 45)</i> › The Voice of Tiger, which is our company experience and engagement pulse survey launched in November 2020. The survey gives all our employees a confidential, digitally-enabled platform to give feedback to Tiger Brands on how they experience the organisation, culture and leadership by responding to a set of benchmark questions. The results will be used to design actions to further progress our culture transformation journey, improve employee experience and accelerate winning performance across the organisation. The comprehensive survey will be conducted once a year going forward but regular short and focused dip-stick surveys will take place quarterly. › Continued with Heart of the Tiger employee dialogues on values and winning behaviours. › Revived and communicated our employee value proposition and employer brand. <i>(See page 44)</i> › Completed fit-for-future organisational restructure. <i>(See page 42)</i> › Key changes made to business leadership. › 79% of leadership positions filled internally, with African employees comprising 95% of internal promotions this year; 46% female and 54% male. <i>(See page 43)</i> › Prioritised safety of work force and employee wellbeing over the period of National Disaster. <i>(See page 44)</i> › Regular communication through various channels and platforms.



Customers Our retail and wholesale customers, provide consumers with ready access to our product

How we engage

- › One-on-one personal engagements
- › Business forums
- › Collaborative forecasting and joint business planning

Material interests

- › Product provided on agreed terms
- › Trading terms that are fair, equal and available to all
- › Portfolio rationalisation in the context of disposals
- › Optimal consumer propositions
- › Reducing packaging footprint

Our response

- › Played a vital role in ensuring the ongoing availability of essential food items during the period of National Disaster, especially during the initial lockdown period. *(See page 52 and sustainability report)*
- › Various customer engagements to ensure clarity on expectations, including through jointly developed business plans. Launched the Perfect Store Initiative. *(See page 3)*
- › Created Tiger hampers in various configurations cognisant of store formats, time of month and shopper specific.
- › Exploring alternative sampling options such as new pack sizes, online partners and digital solutions.
- › Working closely with customers to reduce packaging footprint.

Media Contribute to brand reputation and enhance stakeholder awareness of our products and performance

How we engage

- › CEO/CFO engagement as appropriate
- › Dedicated media section on our website
- › Media releases
- › Social media presence

Material interests

- › Increase access to management and information
- › Media governance
- › Fair treatment of consumers
- › Food security
- › Ongoing Class Action litigation with potential liabilities
- › Operational performance

Our response

- › All queries on consumer-related enquiries addressed within specified timeframes.
- › Strengthened media governance and protocols.
- › Enhanced media monitoring and analysis.
- › See earlier responses on consumers.
- › Interviews, press statements and opinion editorials.
- › Interviews, engagement with legal representatives and press releases.
- › Access to the CEO and press releases.

Our key relationships continued

Consumers

By purchasing our products, and believing in our brand, they provide the basis for revenue growth

How we engage

- › Dedicated consumer section on website
- › Packaging information
- › Consumer care line
- › Digital platforms
- › In-store engagement
- › Focus groups
- › Social media

Material interests

- › Food safety
- › Product quality
- › Product affordability
- › Health and nutrition

Our response

- › Implemented a detailed quality strategy to ensure a robust integrated management system. *(See page 41 and sustainability report)*
- › Achieved external certification of all manufacturing facilities. *(See page 40)*
- › Introduced Tamper Evident packaging innovation on Albany bread.
- › Provided food security information during Covid-19. *(See page 7)*
- › Strong focus on ensuring that product quality meets or exceeds consumer expectations achieving reductions this year in customer complaints and market place incidents. *(See page 40)*
- › Strive to mitigate inflationary pressures through cost-saving initiatives and operational efficiencies. *(See page 40)*
- › Specific packs for discount channels. *(See page 37)*
- › Launched value brands such as Induna Maize. *(See page 37)*
- › Launched several healthier/more nutritious products including Jungle cereal bars, Purity snacks and Koo Black Beans. *(See page 37)*
- › Tips on nutrition and home cooking.



Government Provides the regulatory framework and informs the socio-economic context essential for our activities

How we engage

- › One-on-one engagements
- › Engagements on draft regulations
- › Public forums
- › Industry consultative bodies
- › Parliamentary processes

Material interests

- › Consumer and Customer Protection and National Disaster Management Regulations
- › Growth and development of local agricultural sector
- › Impact of portfolio rationalisation on labour

Our response

- › Supported government's broader national effort by deferring price increases of products for the initial period of the lockdown.
- › Initiated engagement with the regulators around the future construct and interpretation of the Consumer and Customer Protection and National Disaster Regulations.
- › Active partnerships to promote agri-sector development and smallholder farmers. *(See page 46 and sustainability report)*
- › Engaged with local and relevant national government departments on developments with regards to the impact of disposals.

Suppliers Provide the services and raw materials that form the basis of our products and activities

How we engage

- › Supplier forums
- › Site visits
- › Supplier assessments
- › One-on-one engagements
- › Website

Material interests

- › Timely payment and fair terms
- › BEE/SME supplier development
- › Health and safety standards

Our response

- › Negotiate with strategic suppliers to secure requirements at reasonable cost.
- › Strong drive in place to promote supplier and enterprise development, investing in smaller suppliers to diversify the supply base and create real transformation to our supplier base. *(See page 40 and sustainability report)*
- › Engage with relevant suppliers on appropriate health and safety standards.

Our key relationships continued

Investors

Provide the financial capital needed for long-term growth

How we engage

- › Annual and interim reports
- › One-on-one meetings, non-deal roadshows, investor conferences
- › SENS announcements
- › Dedicated investor relations
- › Website

Material interests

- › Gross margin compression due to poor strategy execution
- › Ability to sustain premiums in a value-orientated economy and the loss of market share particularly to private label
- › Supply chain disruptions
- › Ongoing Class Action litigation with potential liabilities
- › Company culture, talent acquisition, succession and retention
- › Dividend policy in the context of a strong balance sheet

Our response

- › Implemented a fit-for-future operating model that enables a focused and relevant solution for each of our categories. *(See page 42)*
- › Acceleration of portfolio optimisation initiatives. *(See page 50)*
- › Resolution of dispute in Nigeria supporting recovery in Export performance. *(See page 50)*
- › Drive relevance in value segment by building clear benefits of our current brands. *(See page 37)*
- › Meet the needs of consumers seeking value using innovation and renovation. *(See page 37)*
- › Select commercially viable opportunities to manufacture private label. *(See page 37)*
- › Specific commitments to drive efficiency, maximise product availability and deliver customer service excellence. *(See page 40)*
- › Further optimised our processes with the aim of ensuring optimal on-shelf availability and meeting speed-to-market deadlines for innovation execution. *(See page 37)*
- › Initiated a new capex approval process introducing a capital review committee with the aim of expediting approvals and improving overall project delivery. *(See page 40)*
- › Frequent updates on the Class Action process providing background and context on developments. *(See page 23)*
- › Newly appointed chairman designate and additional members with extensive expertise in leading innovation and growth in the FMCG sector globally. *(See page 62)*
- › Employer branding campaigns were well received, with 140% increase in followership on Tiger Brands' LinkedIn profile. *(See page 42)*
- › Voted number 1 Graduate Employer of Choice in the manufacturing sector, and second in the FMCG sector in the South African Graduate Employers Association 2020 survey. *(See page 42)*
- › Certified as Top Employer. *(See page 42)*
- › Improved succession ratio from 1:1 to 3:1 for senior executive leadership roles. *(See page 42)*
- › After withholding the interim dividend, resumed dividend payments with the total ordinary dividend in FY20 aligning distributions with the dividend policy of 1.75x cover based on full year headline earnings. Paid a special dividend in FY19 and FY20. *(See page 50)*



Communities

Provide the social capital and licence to operate for the business to succeed

How we engage

- › Community social mapping to identify opportunities to share value
- › Community mobilisation and interaction on SED projects

Material interests

- › Food security and related nutrition issues
- › Food support during Covid-19
- › Stimulate economic activity to support and sustain community enterprise development and job creation

Our response

- › Partner with government and developmental agencies to promote nutrition, health and education, and contribute to community development and poverty eradication. *(See page 46 and sustainability report)*
- › Freed-up R3,5 million in capital through voluntary salary sacrifices from our senior leadership
- › Assisted our partners with an additional 12 000 food hampers through our Family Food Programme, with a total of 105 648 hampers distributed this year
- › Adapted our School Nutrition Programme to distribute 15 000 food hampers to homebound school children (Tiger Brands Foundation)
- › Continued our support of 4 500 students through our Plates4Days programme
- › Donated R9 million worth of bread to various organisations, including to frontline healthcare workers at Charlotte Maxeke and Nelson Mandela Children's Hospitals and others
- › Re-focused our distribution of near-dated stock and donated 1 000 units of hand sanitiser and 10 000 food hampers to vulnerable communities by Food Forward SA
- › Supported job creation through the manufacture of Tiger Brands Covid-19 Safety Packs *(See page sustainability report)*
- › Initiatives in place on enterprise and supplier development, and community investment. *(See page 46 and sustainability report)*

