

# Chairman's review

This has been a profoundly unsettling year for all of us – as individuals, families, communities and employees. The social and economic disruption caused by the Covid-19 pandemic came on top of an already very fragile economy and social fabric in South Africa, presenting significant further challenges for consumers, retailers and businesses more broadly. Tiger Brands' performance this year reflects the impact of these challenges and underscores the need for a rapid and radical turnaround to restore the company's legacy; its response to the pandemic and more positive performance towards the year-end give cause for optimism.



**Khotso Mokhele**  
Chairman

Prior to the pandemic, consumer spending in South Africa was already severely constrained by falling GDP and low wage growth, high unemployment and debt levels and increasing costs, resulting in consumers buying and spending less, and shopping smarter. This reduced consumer spend was accompanied by rising input costs and increased competition, placing sustained pressure on volumes, market share and margins. The response measures to the pandemic added to these challenges, prompting an unprecedented downturn in economic activity, pushing up input and operating costs due to rand weakness and disruption in supply chains caused by Covid-19. Although Tiger Brands has benefited from being classified as an essential service and from the increase in at-home consumption, a combination of regulatory and market pressures constrained the ability to recover costs.

This tough operating context contributed to another year of disappointing results, with group operating income and HEPS from continuing operations down 18% and 23%, respectively. Following the board's decision to withhold an interim dividend given the very uncertain outlook at the time, an ordinary final dividend of 537 cents per share was declared for the year ended 30 September 2020 in line with the dividend policy of 1,75x cover. In addition to the above, the company declared a special dividend of 133 cents per share as a result of the once-off proceeds received from the disposal of its VAMP business. The special dividend, together with the gross final cash dividend, brings the total distribution for the year to 670 cents per share.

This year's disappointing performance understandably has added increased pressure on the company leadership team to demonstrate its ability to turn things around, and to deliver a sufficiently convincing performance over the short term, without compromising longer-term growth. Notwithstanding this year's numbers, I believe that the various changes introduced in the last two years, and the progress made this year in embedding these changes, provides a solid foundation for this turnaround.

## Tiger's response to the Covid-19 pandemic



The Tiger Brands' board and leadership team have devoted considerable time and effort this year to ensuring an effective response to the Covid-19 pandemic. I would like to commend the employees and leadership team for pulling together quickly and effectively in ensuring employee safety, maintaining a secure supply of food, and supporting affected communities with the provision of food hampers. Numerous measures were taken to protect the safety and wellbeing of employees during the lockdown, both for those working in our essential service factories, and those working remotely from home. The company introduced customised screening, testing, self-isolation and re-integration protocols, enhanced existing sanitation practices, staggered shifts where feasible, ensured active employee engagement, and provided private transport and a special incentive for essential workers during the lockdown period. The employee response has been phenomenal, collectively ensuring that the company played a critical role in maintaining the country's food security during the lockdown. It is particularly saddening to report that 11 employees died as a result of contracting the virus. I extend my heartfelt condolences to all the affected families.



**In response to the severe socio-economic impact of the lockdown on more vulnerable communities, Tiger Brands enhanced its community food and nutrition programmes during the pandemic, donating an additional 12 000 food relief hampers to augment its existing monthly donations, and extending this beyond communities, students and scholars to include frontline healthcare workers and hospitals.**

To contribute to the company's relief initiatives, the board of directors and executive committee together agreed to forfeit up to 30% of salaries and fees for three months, raising R3,5 million for the salary sacrifice initiative that supported various specific projects proposed by employees.

## Maintaining a strong focus on food safety

In addition to ensuring regular food supply over the lockdown period, we further strengthened our focus on food quality and safety. Following the tragic listeriosis incident in February 2018, the board has recognised the need to drive and sustain a significant improvement in Tiger Brands' central oversight of food safety and quality, and to enhance the quality of risk reporting to the board and its committees. As I mentioned in previous reports, food safety is now a standing agenda item for the risk and sustainability committee, supported by clear reporting lines and regular internal assessments and data management processes that are aligned with the Global Food Safety

Initiative (GFSI). Last year we introduced an integrated short-term incentive scorecard – applicable to executive directors – that includes specific provision for food quality as a key performance indicator.

The company made further progress this year in embedding a strong quality culture across its sites and among its suppliers and third-party manufacturing partners. Quarterly self-assessments were conducted at all manufacturing facilities against the GFSI tool; these facilities were also externally audited and maintained certification against the globally recognised FSSC22000 and HACCP system. All warehouse facilities have also been externally audited in preparation for certification next year. It is pleasing to see that the company's quality performance has continued to improve, with a 5% reduction in consumer and customer complaints, a 25% reduction in marketplace incidents and zero public recalls.

## Update on the listeriosis Class Action lawsuit

In August this year Tiger Brands reached agreement to sell the value-added meat processing business to two separate groups of bidders. The business had been earmarked for sale prior to being affected by the 2018 listeriosis outbreak. The sale and disposal process in no way affects Tiger Brands' commitment to following due process as part of the ongoing listeriosis Class Action litigation, and to ensuring that an equitable resolution of the litigation is reached expeditiously.

In June 2020 the Gauteng Division of the High Court ruled in favour of Tiger Brands, compelling third parties to provide epidemiological information required for the Class Action lawsuit. All the third parties who applied for leave to appeal against the High Court order were granted leave to appeal to the Supreme Court of Appeal (SCA) on 15 September 2020. It is expected that the SCA will likely hear the appeal during 2021. Only one third party did not apply for leave to appeal.

The company has been dealing with ongoing requests from the plaintiffs' legal representative to provide documentation around the food safety systems at its Polokwane factory. This remains the subject of ongoing pre-trial proceedings in respect of which the company's legal defence team has engaged and continues to engage with the plaintiffs' attorney as part of the discovery process. As an affected party, Tiger Brands is committed to abiding by the legal process to ensure that a resolution of the matter is reached in the shortest possible time in the interest of all parties, particularly the victims of listeriosis. The company, in cooperation with its legal representatives, is continuing with its efforts to expedite the process to ensure a speedy resolution of the Class Action.

## Chairman's review continued

### Progressing on its growth strategy

In September this year, the board spent two days with the executive team to reflect on its performance over the year and review the company's strategic roadmap. The strategic framework remains much the same as the five-year growth strategy agreed last year, with four clear strategic focus areas: Drive Growth, Be Efficient, Great People and Sustainable Future.

As is reviewed throughout this report, the company has made some solid progress against each of these commitments. It has rationalised elements of its portfolio, introduced significant changes to improve its innovations processes and capabilities, launched various value-driven innovations and new healthy product lines, and delivered growth in both existing and new distribution channels. It has introduced a more systemic approach to unlocking savings and efficiencies across the business, with much clearer lines of accountability, delivering savings this year of ~R470 million. A new capex approval process was also initiated this year, and some significant capital investments were approved to increase capacity, enhance efficiency and deliver new innovation opportunities. Despite some of the challenges under the pandemic, progress has been made in instilling and embedding a much stronger culture of accountability that encourages customer-led innovation, underpinned by an explicit commitment to delivering broader societal value in the areas of health and nutrition, enhanced livelihoods and environmental stewardship.

Given Tiger Brands' recent run of disappointing performance – and recognising the increased pressure from stakeholders to provide compelling evidence of an ability to deliver a turnaround – the board has approved a revised operating model and a clear set of immediate priorities aimed at delivering visible results over the short term, while laying the foundation for longer-term growth. These priorities are presented by Noel Doyle in his CEO review, and I believe that, together with the revised operating model and refreshed leadership team, they provide good cause for optimism.

### Changes in the leadership team

We have seen several important changes this year in Tiger Brands' leadership, both within the board and executive team. As was announced in August 2020, after 13 years on the board and almost four years as chairman, I shall be stepping down with effect from 31 December 2020. To facilitate a smooth handover, I am pleased to report that with effect from 1 September 2020, Ms Geraldine Fraser-Moleketi took on the role of independent non-executive director and chairman designate and will assume the role of chairman from 1 January 2021. Ms. Fraser-Moleketi currently serves as lead independent director of Exxaro, non-executive director of Standard Bank Group and Standard Bank South Africa,

and Chancellor of the Nelson Mandela University. She also serves in a leadership capacity on various intergovernmental bodies, and previously held various cabinet positions under former Presidents Nelson Mandela and Thabo Mbeki. With her extensive local and global leadership experience in business and government, she brings a hugely valuable combination of skills, experience and independent perspective to drive accountability and help steer the company on its new growth path.

We made two additional board appointments this year, with Ian Burton and Olivier Weber both joining the board with effect from August 2020. This follows the resignation of Mr Monwabisi Fandeso in February 2020. Ian Burton is a seasoned FMCG business leader with a track record of executing business turnaround strategies, including most recently for Mars Wrigley in the Asia Pacific and China regions; he brings extensive global experience and valuable insights on using digital innovation to drive business growth. Olivier Weber has had a 30-year career in the food and beverage sector, with various management roles including leading the PepsiCo Food businesses in Latin America before pursuing entrepreneurial interests; he currently runs his own snacks business in the USA and Mexico. Together their extensive FMCG knowledge, global experience and important skills in digitalisation and innovation will significantly enhance the board's deliberations and inform the group's strategic direction.

We have also seen some important changes at an executive level. Following the retirement of Lawrence Mac Dougall, and the appointment of former CFO Noel Doyle as CEO in February 2020, Deepa Sita joined the executive team and board as CFO from October 2020. Ms Sita was previously vice president: integration and strategy for Massmart Wholesale, and before that interim CEO for the Masscash division. Ms Pamela Padayachee served as acting CFO in the interim period from February 2020. Within the executive committee, we are also pleased to welcome Trevor Sanderson as the company's chief supply chain officer with effect from February 2020, and Joe Ralebepa as chief legal officer from January 2020. Trevor has over 27 years of experience in supply chain and manufacturing leadership, with roles at Unilever, SAB Miller and AB-InBev, both locally and across Africa. Joe joined the company from the Massmart Group where he served in the role of group legal executive, general counsel and company secretary, and previously held executive legal roles at British American Tobacco South Africa and Coca-Cola Africa.

**These are significant changes in Tiger Brands' leadership, and I am confident that they will make an important contribution to delivering the step-change in performance that many of our stakeholders are expecting.**

## Ensuring good governance

To maintain accountability on the board's performance, we undertook an internal self-assessment in which each board member rated the board's performance on a range of criteria. The feedback was frank and constructive. While the overall rating was consistently good, some important opportunities for improvement were identified. The quality of the board discussion on substantive strategic issues is seen to have improved significantly in the past two years; this has been aided more recently by new board appointments, although was seen to be slightly constrained by the immediate challenges presented by the Covid-19 pandemic. The recent appointment of the new CEO was welcomed, seen as bringing improved levels of openness, frankness and transparency, and provide a good indication of the beginning of stabilising the business. It was emphasised, however, that for this turnaround to be fulfilled, the board will need to be less tolerant of any instances of underperformance and strengthen its driving accountability on the effective execution of solutions. Given recent changes in the sector overall as well as the increasing impact of issues such as climate change, water security, and supply chain resilience, it was suggested that the board needs to carefully consider the skills required for a future fit business, while ensuring an appropriate age and generational mix. This will be important if Tiger Brands is to truly become an African leader that delivers on its purpose and nurtures and nourishes the continent.

## Appreciation

My last full year as chairman of the board has been one of the most challenging of my 13 years as a non-executive director on the Tiger Brands board. It has been an incredible privilege serving on the board, and I have learned a huge amount from the many members of the Tiger Brands team that I have engaged with over the years. I wish to thank all my colleagues on the board for their valuable support and insight in fulfilling our governance responsibilities, and all those on the Tiger Brands executive committee and the employees who have shown incredible dedication in striving to deliver value in this particularly trying environment. Looking to the future, I am confident that under the leadership of Ms Fraser-Moleketi and Noel Doyle, Tiger Brands will successfully execute its strategy for long-term growth and deliver on its purpose of nourishing and nurturing more lives every day.



**Khotso Mokhele**  
*Chairman*

19 November 2020

# Interview with chairman designate



**Geraldine Fraser-Moleketi**  
Chairman designate



**In his CEO review, Noel Doyle suggests that Tiger Brands is at a “critical inflection point”. We are in the midst of a pandemic with a deep recession likely, and the company is under pressure to deliver a significant turnaround; you’ve certainly chosen an interesting time to join Tiger Brands’ board. How do you see the company being positioned in the next 10 years and your role in taking it forward?**

It’s early days for me to outline how the company should be positioned over the next 10 years, but I will share some initial general thoughts on this. In terms of my role, I am not going to do any of this alone. As with any successful company, we will be acting collectively, leveraging our various skills and resources to ensure we protect Tiger Brands’ long-term interests, recognising that its ability to create value for itself is ultimately dependent on the value it creates for its stakeholders, society and the broader environment. As chairman, I will be operating within a board that acts collectively in fulfilling our oversight and stewardship function, holding the executive to account on both the development and execution of strategy.

Looking at the company and its prospects, I agree with Noel that Tiger Brands is at an important inflection point, and this makes it a particularly interesting and exciting time to be taking on the challenge. After several years of disappointing performance, the company and its management team are understandably under pressure to deliver a visible change in fortune, and they recognise the urgent need to turn the company around. And as Noel points out in his statement, the leadership team needs to do so in a manner that delivers sufficiently compelling change over a short period, but not at the expense of longer-term growth, a challenging balancing act at the best of times.

For Tiger Brands to rise to this challenge, not only does it need to recover its former position, but it needs to be far more ambitious and audacious in delivering on its core purpose.

You asked about the next 10 years. This is also the timeframe for delivering on the global Sustainable Development Goals, food security is a foundation to delivering on all the SDGs. The Covid-19 pandemic has shown up the fault lines in society and highlighted in particular some of the deep challenges around inequality, including specifically in the areas of health and nutrition. In my view, this should inform the company’s forward-looking vision, and this is where I think the company can be more ambitious and audacious.

To ensure Tiger Brands' success over the next decade, the opportunity lies in leveraging its standing as a leading food company in Africa to reclaim and carve out its role in this space. To this end, the company has an opportunity to give real shape and meaning to sustainable development, and to the recent interest in Environmental, Social and Governance (ESG) issues. Promoting food security, addressing hunger and delivering healthy nutrition is absolutely core to the company's business, and it needs to make this link more overtly with the broader sustainability agenda. Tiger Brands has initiated some solid foundational work in this area, and there is significant opportunity to further integrate these goals into the company's strategic thinking.



**What are some of the priority challenges that you believe need to be addressed?**

There are several key challenges facing the company, most of which I think are well known both inside the organisation and externally by its key stakeholders. One of our most important priorities is to improve the supply chain to ensure efficiency, product availability, and customer service excellence. Technology and the digital arena is another important area, which I believe can significantly support the company's efficiency agenda, and the company also needs to maintain a strong focus on food safety and quality. Finally, informed by the operating environment and a value-orientated consumer, we will need to be relentless in reducing costs. Delivering on these ambitions will require that we have the right talent in the right places, underpinned by a strong culture of accountability. We have seen some significant changes recently in the company's leadership team, which augurs well for the future.



**The immediate macro-economic outlook is challenging. Where do you see the opportunities?**

It's clear that we are facing some significant macro-economic challenges in South Africa, with the pandemic compounding an already fragile economy. In this context, there are still opportunities for delivering organic growth, for example through consumer-based product innovation, especially in the value segment of the portfolio, as well as by driving innovation in the company's route-to-market.

I believe that some of the more exciting opportunities are in markets across Africa, where we are likely to see stronger levels of economic growth than in South Africa. While I appreciate that some investors and board members might be cautious – given Tiger Brands' and other South African companies' recent experiences on the rest of the continent – I believe that the company is correct to expand its current export strategy, learning from past mistakes and building on its success story in Cameroon.



**It's early days, but what are your first impressions of the company?**

I've only been actively engaged since the beginning of September. So far, I've participated in the company's strategic planning process and in the most recent board committee meetings. What has struck me in these engagements is that the executive team and the board have a very strong commitment to turning the company around. They both clearly recognise the challenges the company faces, and have a clear understanding of what needs to be done to stabilise the business and reclaim its leading position. I am also confident that the executive team recognises that there is a strong expectation for improved accountability.

Looking ahead, Tiger Brands should be associated with quality, excellence, sustainability and sound governance, underpinned by a culture of agility and innovation, and by a strong commitment to ensuring full accountability for decisions and actions. These are my measures of success. I believe that Tiger has the right attributes to achieve these outcomes and I am looking forward to the challenge.

# Our operating environment: material trends

The impacts of Covid-19 and the associated lockdown restrictions have significantly increased complexity in our operating context, amplifying the existing challenges of a constrained consumer environment, growing competition, and changing consumer and regulatory expectations. Despite the very challenging business context, consumer packaged goods (CPG) companies in South Africa have performed comparatively well against other sectors, benefiting from being an essential service and from the increase in at-home consumption.

This year we have identified five trends in our operating environment that have a material impact on Tiger Brands' ability to create value. Each of these trends presents both risks and opportunities that continually informed the development of our growth strategy.

## Muted consumer spend in a weak economy

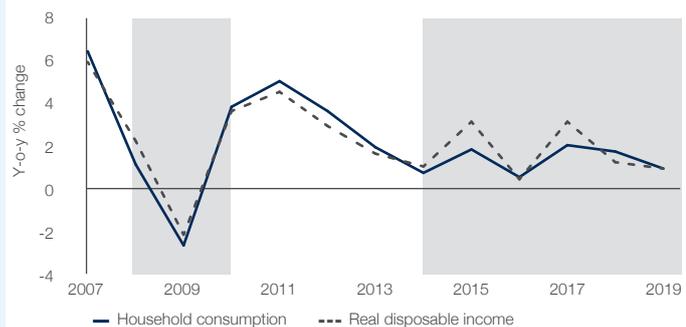
Tiger Brands depends on a strong economy and healthy consumer demand to drive sales of its premium branded products.

The South African economy remains weak, with a volatile exchange rate and the majority of households under significant financial pressure. Pre-Covid-19, the economy contracted by 1,4% in the fourth quarter of 2019, following a contraction of 0,8% in the third quarter. This technical recession was profoundly impacted by the national lockdown introduced at the end of March 2020, with the economy slipping into a recession much faster and deeper than expected. Consumer confidence has dropped to its lowest level since 1985, with heightened job losses further denting consumer spend, reducing demand for discretionary and premium products, and increasing demand for "value" offerings. Volumes and margins remain threatened, and cost recovery ahead of inflation becomes difficult.

Key features of this trend impacting value creation include:

- › Flat economic and wage growth
- › Muted consumer spending
- › Continuing rand/dollar volatility
- › Generally rising input costs
- › High consumer debt levels
- › Very high unemployment.

Household consumption and real disposable income



Source: SARB, Stats SA

## Our response

- › In an effort to protect margins in the subdued market, we have kept a strong focus on driving productivity and securing cost efficiencies across the value chain (see page 40).
- › During the year, various significant investments were approved aimed at enhancing efficiency and realising innovation opportunities (see page 41).
- › We placed a strengthened emphasis on boosting economic opportunities and improving the livelihoods of thousands of people across our value chain, including through a deliberate focus on supporting black/black women farmers and owned enterprises (see page 46 and sustainability report).



### Increasing competition and power shifts in food retail

Tiger Brands increasingly depends on its ability to adapt in a maturing market.

Food retail has diversified, with increasing online engagement and digital sales. New producers are establishing strong premium brands and successful niche products. While supermarkets remain the leading distribution channel in packaged food, the channel is seeing strong competition from mixed retailers. Retailers have hardened their procurement practices, and in many instances have further increased uptake of private label, which is doing well in shelf stable and dairy products. This has contributed to increased pressure on returns, volumes and market share, intensified price competition, and heightened promotions, inspiring differentiation towards richer value-propositions that undercut margins. These dynamics challenge our historic brand advantage but are inspiring us to become more agile.

Key features of this trend impacting value creation include:

- › Heightened competition from brands and private label
- › Increased promotional activities
- › Innovation in products, process and approach
- › Increasing differentiation to enhance value offerings
- › Weaker volumes, price competition and margin pressure.

#### Our response

- › We seek to mitigate the risks and realise the opportunities associated with the changing retail and consumer dynamics by delivering on our strategic ambition to drive growth. We have identified opportunities to optimise our product portfolio, respond to the growth in private label brands, and win at the point of purchase (see page 37).
- › We have been implementing channel-specific category management methodologies and will be continuing to embed appropriate digital technologies that enhance the monitoring of the return on investment of our promotional activity, while meeting customers' needs, and we have been using new pricing expertise to help drive brand growth and customer support.
- › We made further progress this year in launching new products to address consumer expectations for quality, convenience, healthier foods and affordable pack sizes. Despite the heightened competition we retained the lead in packaged food, with a 26% value share (see page 4).



### Changing consumer dynamics and growing complexity

Convenience foods, health and wellness, affordability, and e-commerce heighten need for innovation

Shifting patterns of consumer behaviour are leading to significant changes in the food system, driven by trends such as rapid urbanisation and globalisation, increasing digital connectivity and mobility, and the rising number of single households and at-home consumption. Dietary shifts reflect these changing global patterns and economic aspirations, with growing public health concerns offset by the strong uptake of processed products, convenience foods, and snacks and beverages. With more meals now consumed at home, consumers are looking for inspiration for home cooking and baking. On the surface is the everyday impact of deepening economic pressure on households; not only are consumers buying and spending less, but shopping smarter and more ethically, seeking not only greater value-for-money, but greater value-for-all.

Key features of this trend impacting value creation include:

- › A dramatic rise in e-commerce following the Covid-19 lockdown restrictions
- › More meals consumed at home
- › Health and wellness trend gain momentum across packaged food
- › Increasing price consciousness and decreasing brand loyalty
- › Increasing demand for "more value"
- › Improving perception of private labels.

#### Our response

- › We continually review consumer trends to identify opportunities for product and process innovation and to optimise our product portfolio. We have an exciting product pipeline across a range of categories that specifically include innovations for value-seeking consumers, supported by a robust marketing and communication plan highlighting the benefits and relevance of our current brands within the value segment.
- › Covid-19 has accelerated the adoption of e-commerce behaviour amongst consumers, with South African food retailers reporting a 700% increase in web traffic volumes. In addition, there is evidence that there is a 70% likelihood of consumers continuing to buy groceries online. In response to this trend, Tiger Brands has listed on major e-tailing and retailers' online platforms.
- › We believe that there are valuable opportunities in the health and nutrition sector, and have been driving innovation in this area including launching new healthy product lines in the Baby and Personal Care categories, introducing consumer-relevant health claims in various brands, and beginning the process of including portion control messaging on the back of packs in the Snacks & Treats category.
- › Through the diversity of our portfolio we are able to address the full range of consumers' shopping needs, particularly those in the middle-income bracket.



## Our operating environment: material trends continued

### Increasing stakeholder pressure for responsible business leadership

Tiger Brands recognises the importance of building an ethical and sustainable business practice.

South Africa's food system is one of the least healthy globally, characterised by high levels of obesity, lifestyle-induced non-communicable disease (NCD) and persistent hunger and malnutrition. Increasing consumer and investor activism on environmental, social and governance (ESG) issues, and emerging regulatory interventions, reflect a growing concern to address the negative nutritional, health and environmental outcomes of the food system, placing greater pressure for industry action, transparency and accountability. The Sustainable Development Goals (SDGs) provide a benchmark for clear targets and an increasing number of global industry initiatives demand collective action. Enhanced regulatory and voluntary interventions have introduced new marketing, health and environment-related control mechanisms, regulations and taxes. An increased possibility of litigation threatens resources and reputation. Higher income consumers are more willing to trade-off on price for health and sustainability, with increasing demand for brands-with-purpose, sustainable and local products, plant-based proteins, ethical marketing and front-of-pack nutrition labels. These shifts challenge some traditional business approaches and encourage the adoption of purpose-led innovation.

Key features of this trend impacting value creation include:

- › Pressure to align with global agreements and voluntary initiatives
- › Pressure to address environmental concerns such as climate change, water, plastics and sustainable agriculture
- › Pressure to promote social transformation on issues such as race, gender and income inequality, and land rights
- › Increasing regulatory intervention on public health, obesity and NCDs
- › Growing demand for purpose-led brands and products.

### Our response

- › In delivering on our purpose, we have made important progress this year on our commitment to enabling consumers to improve their health and wellbeing. We have updated our nutritional standards against global guidelines, introduced a three-tier product offering approach informed by these guidelines, and made progress in establishing a baseline and setting targets for more nutritious products as a percentage of our total portfolio (see page 46 and sustainability report).
- › We have continued to invest significantly in driving quality and food safety across the company to ensure that we have robust management systems, qualified people, and a strong quality culture. We have strengthened our audit and assessment processes, achieving external certification for all our manufacturing facilities against globally recognised food safety standards, and starting the certification process for our warehouses (see page 46 and sustainability report)
- › We are striving to reduce our environmental impact through innovative solutions, including optimising energy and water usage, developing innovative products and packaging, leveraging our brand and marketing, and implementing circular economy initiatives that stimulate economic opportunities (see page 46 and sustainability report).





## Covid-19 compounding the impact of existing trends

Covid-19 and the associated economic shutdown has deepened some of the existing trends, negatively impacting consumer spend, further driving the uptake of e-commerce and at-home consumption, and heightening consumer concerns on health and wellbeing. Spending patterns have shifted to staples and essentials, with consumer choice shaped primarily by price, value and convenience. Regulations that capped gross and operating margins on essential products, prohibited price increases and further challenged cost recovery. Direct costs to business included elevated distribution costs and stock challenges, supply chain disruptions, and the purchase of personal protective equipment. There has been an accelerated growth of home consumption and online shopping, and reduced ability to influence choice in-store. The lockdown increased the consumption of digital channels in South Africa by 72%, with continued growth anticipated over the next months. With consumers spending more time online and on social media, advertising has focused increasingly on digital channels. Throughflow at retail outlets was impacted by shorter opening hours, social distancing and customer limitations, prompting consumers to shop less often for bigger baskets. The lockdown restrictions have exacerbated poverty, inequality and public health concerns, juxtaposed by some encouraging examples of a collective humanitarian effort, with consumer and stakeholder activism potentially invigorated by the call to “build back better”. While the future remains particularly uncertain, as a food company and essential service, Tiger Brands is better placed than most to maintain its resilience.

### Our response

The key focus of our response has been to ensure the availability of our products, ensure employee safety and wellbeing, and increase our community food support for those in need (further details are provided in our online sustainability report):

- › Following the Declaration of a state of National Disaster, we took various steps to ensure a continuous supply of product in response to initial panic buying, developed and implemented response protocols to ensure product safety, worked with suppliers, logistics and customers to limit disruptions, and provided effective communication to address consumer concerns around food security
- › To protect employee safety and wellbeing, we prioritised remote working where possible, introduced health screening and testing for staff at essential services sites accompanied by rigorous hygiene and sanitisation protocols, and provided additional access to wellness support services along with various other measures
- › We expanded our existing community food and nutrition programmes for families and school children and extended these to provide for frontline healthcare workers and hospitals, with numerous new initiatives funded by the voluntary forfeiture of a portion of senior leadership salaries and fees.

To realise growth opportunities in a “new normal”, we are implementing measures to capitalise on the recent uptake of e-commerce and home cooking, the changes in in-store shopping dynamics, and the heightened levels of price consciousness and personal health and wellbeing (see page 37).



# Material risks and opportunities

Over the last two years, we have fundamentally improved the rigour with which the universe of relevant risks is being assessed. As a result, the risk register is a comprehensive and well-considered view of the risks the group is likely to face. We thoroughly interrogate the various mitigating strategies to ensure a proactive response to the material risks, and we have enhanced the monitoring of response plans to ensure their effectiveness.

The Tiger Brands' board has ultimate responsibility for overseeing the group's risk management processes. The board is assisted by the risk and sustainability committee who are responsible for ensuring that the risk management process complies with relevant standards and governance requirements. Senior management in each division and business unit is responsible for managing risks in their respective areas. Oversight of risk management at divisional level rests with the relevant executive committees. Divisional and business unit risk registers are updated quarterly; the risk and sustainability committee meets three times a year.

## Risk appetite and tolerance

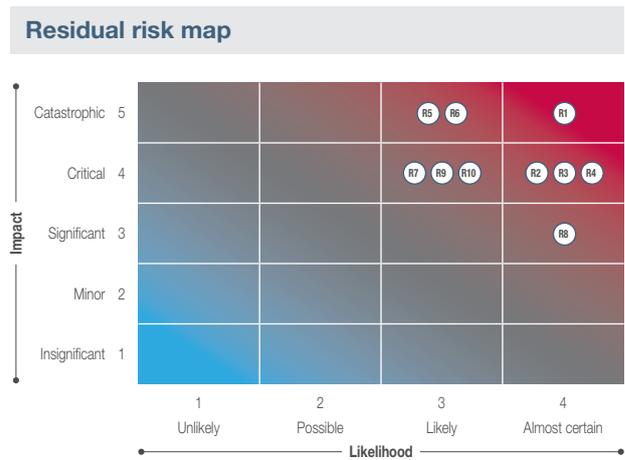
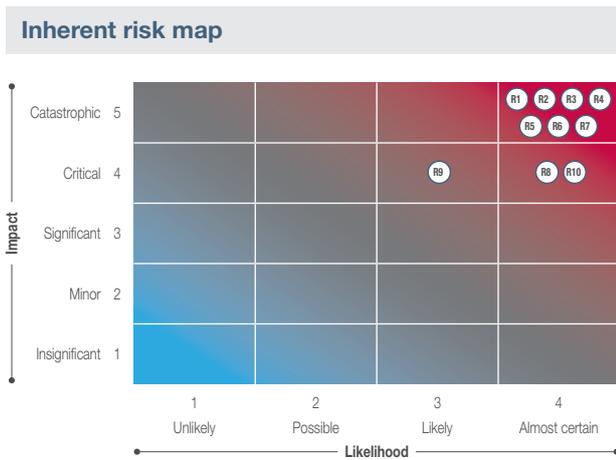
Risk appetite refers to the level of risk that Tiger Brands' management is prepared to absorb before mitigating actions are implemented; risk tolerance refers to the company's strategic capacity to accept or absorb the risk.

The risk and sustainability committee determines the risk appetite, tolerance and velocity (the time taken to feel the impact of a risk after it materialises) to the board. The board reviews and approves this annually, ensuring that the company effectively identifies, manages and reports on risk across all operations and all territories. The underlying reporting structure starts at site level and rolls up into the relevant business unit and division, culminating in risk reporting at a group level.

Each risk is evaluated in terms of its likelihood and impact, both on an inherent (actual impact) and residual (after mitigating action) basis. The group risk profile is reviewed quarterly and is continually revised after considering changes to the local and regional macro-economic environment, recent political and legislative developments, socio-economic challenges and technological advancements. Through our combined assurance model, the risk and sustainability committee evaluates and approves the level of assurance provided for all group risks.

## Our top 10 risks

The following heat maps reflect the top 10 inherent and residual risks for Tiger Brands in the 2020 financial year; these are the risks identified as having the most material implications for Tiger Brands and its employees.



- R1 Albany route-to-market
- R6 Occupational health and safety
- R2 Negative impact of Covid-19
- R7 Information and cyber security
- R3 Business continuity vulnerabilities
- R8 Data and information risk
- R4 Operating environment
- R9 Attract and retain critical skills
- R5 Food safety and product quality
- R10 Intensifying competition

The following table briefly reviews the implications, mitigation measures and the year-on-year trend in the risk rating, for each of the top 10 risks.

Material risks	Implications for value	Mitigating actions
<p><b>1. Albany route-to-market</b></p> <p><b>Risk trend</b> ↑ 2019 ranking (2)</p>	<p>Increasing levels of violent crime against drivers in the bakery route-to-market can result in:</p> <ul style="list-style-type: none"> <li>› employee and service provider loss of life</li> <li>› distribution disruptions</li> <li>› reputational and brand damage</li> <li>› potential loss of market share.</li> </ul>	<ul style="list-style-type: none"> <li>› All delivery routes are continually risk assessed, and tailored response measures developed</li> <li>› Security assessment reports have been compiled for all facilities to address security-related improvement opportunities</li> <li>› A limited number of security service providers have been appointed to service the bakeries. This will promote compliance to the relevant legislation, monitoring and management of key performance indicators per bakery while ensuring overall cost efficiency</li> <li>› Exploring technological solutions for more effective security provision at a reduced cost</li> <li>› Exploring and piloting digital payment systems.</li> </ul>
<p><b>2. Negative impact of Covid-19</b></p> <p><b>Risk trend</b> ↔ 2019 ranking (n/a)</p>	<p>The high rate of Covid-19 infections and the response measures implemented by government and business, increased market uncertainty and challenged risk management through the following:</p> <ul style="list-style-type: none"> <li>› economic shutdown and reduced growth</li> <li>› production setbacks and declining stock levels</li> <li>› increased operational costs and revenue loss</li> <li>› employee unease, absenteeism, job loss and loss of life</li> <li>› declines in customer experience and brand reputation.</li> </ul>	<ul style="list-style-type: none"> <li>› An executive committee Covid-19 task team was set-up to manage our response across customers, communities, employees and operations</li> <li>› Measures have been implemented to align with government, limit travel, accommodate sick leave, distribute and digitise work arrangements, prioritise manufacturing of critical products, bolster factory and staff hygiene, and support delivery of food to community beneficiaries</li> <li>› In ensuring the ongoing availability of essential food items throughout the lockdown alert levels, our approach included daily meetings, running scenarios and collaborating across the value chain to ensure minimal disruptions, meet demand and continue to support national food security.</li> </ul>
<p><b>3. Business continuity vulnerabilities</b></p> <p><b>Risk trend</b> ↑ 2019 ranking (6)</p>	<p>Disruption at our facilities – for example, following a significant technical breakdown, floods or fire, political or labour unrest, and/or interruption of IT services, energy or water supply – can lead to:</p> <ul style="list-style-type: none"> <li>› interruptions in production, resulting in lost sales, and reduced market share and reputation</li> <li>› damage to plant and equipment</li> <li>› increased production costs.</li> </ul>	<ul style="list-style-type: none"> <li>› A business continuity steering committee has been established and consists of a multi-disciplinary team including IT, Supply Chain, HR, Finance, Corporate Affairs, Internal Audit and Group Risk. The steering committee is in the process of finalising a roadmap which encompasses specific business continuity training as well as consideration of best practice standards such as the ISO 22301 as well as the evolving practices and standards released as a result of the Covid-19 pandemic. Business continuity plans are in place for all high-priority packaging and raw materials across the business; a formal management process for the group's manufacturing facilities is in place. This includes IT business continuity and annual technical testing of the IT disaster recovery plans</li> <li>› A network upgrade project is currently underway to implement secondary network links at all Tiger Brands' sites. This will ensure that there is no disruption to site connectivity when the primary network connection is lost</li> <li>› Annual external risk, control and environmental audits inform improved business-continuity planning and disaster-recovery processes</li> <li>› Appropriate insurance cover is reviewed annually, and disaster-recovery plans are in place.</li> </ul>
<p><b>4. Operating environment</b></p> <p><b>Risk trend</b> ↓ 2019 ranking (1)</p>	<ul style="list-style-type: none"> <li>› Weakened consumer demand off the back of lower economic growth negatively impacts volumes, and has heightened the consumer focus on shopping on promotion, negatively impacting profitability</li> <li>› The rising cost of utilities, labour, general input costs and regulatory requirements, is increasing the cost base at a higher rate than inflation, weighing on margins.</li> </ul>	<ul style="list-style-type: none"> <li>› Driving growth through customer strategies focused on winning at the point of purchase and building on the strength of our existing brands</li> <li>› Creation of a health and nutrition strategy</li> <li>› Being efficient by unlocking costs and cash through incremental supply chain savings and driving continuous improvement efficiencies</li> <li>› A people strategy focused on talent, leadership and creating a great place to work</li> <li>› A sustainability strategy is aimed at health and nutrition, enhanced livelihoods and environmental stewardship.</li> </ul>

## Material risks and opportunities continued

Material risks	Implications for value	Mitigating actions
<p><b>5. Food safety and product quality</b></p> <p><b>Risk trend</b> ↓ 2019 ranking (3)</p>	<p>Challenges with food safety and product quality can have significant implications in terms of:</p> <ul style="list-style-type: none"> <li>› loss of life</li> <li>› reputational and brand damage</li> <li>› loss of market share</li> <li>› disruptions to production</li> <li>› expensive product recall</li> <li>› potential litigation.</li> </ul>	<ul style="list-style-type: none"> <li>› Enhanced good manufacturing practice (GMP) standards and food safety system certification standard (FSSC 22000) implemented across the group, supported by standardised quality self-assessments for all our manufacturing sites, training of quality teams, and a robust supplier quality management process</li> <li>› Manufacturing, group legal and regulatory compliance functions collaborate to ensure products comply with regulatory standards and meet consumer preferences</li> <li>› Entrenched partnership with Stellenbosch University to remain at the forefront of scientific trends, through the Centre for Food Safety</li> <li>› Adoption of European Hygienic Engineering and Design Guidelines (EHEDG) in terms of manufacturing hygiene standards.</li> </ul>
<p><b>6. Occupational health and safety</b></p> <p><b>Risk trend</b> ↓ 2019 ranking (4)</p>	<p>Occupational health and safety incidents can result in:</p> <ul style="list-style-type: none"> <li>› loss of life of employees and service providers</li> <li>› reputational and brand damage</li> <li>› regulatory non-compliance costs</li> <li>› loss of market share.</li> </ul>	<ul style="list-style-type: none"> <li>› Robust safety programme implemented across the group, supported by self-audits, annual independent audits, and behavioural safety and awareness initiatives, reinforced with disciplinary action</li> <li>› Safety improvement targets signed off annually for each division and manufacturing site</li> <li>› Standardised occupational health and hygiene programme and fitness to work standards have been operationalised at all manufacturing sites.</li> </ul>
<p><b>7. Information and cyber security</b></p> <p><b>Risk trend</b> ↓ 2019 ranking (5)</p>	<p>Increasing interconnectivity, globalisation and commercialisation of cybercrime are driving greater frequency and severity of cyber incidents, including data breaches.</p> <ul style="list-style-type: none"> <li>› This can compromise the confidentiality, integrity and availability of information and technology resources, leading to disclosure of commercially sensitive information, intellectual property and/or disruption to operations</li> <li>› In addition to non-compliance risks, the release of any personal information also has negative reputational and brand implications.</li> </ul>	<ul style="list-style-type: none"> <li>› Various external security specialist providers are utilised to ensure that we enhance our security posture</li> <li>› Penetration testing is part of the standard project lifecycle approach</li> <li>› The new Cyber Security Bill has been drafted and is out for public comment. The conditions and impact of the Bill need to be assessed against our current processes and controls</li> <li>› IT policies have been established to support the group's approach to managing information security</li> <li>› The cybersecurity landscape is monitored with a view to implementing the latest security practices and revising existing controls to safeguard the group against cybercrime and maintaining cyber resilience</li> <li>› Operational Technology (OT) Security Assessment will be performed on our top five manufacturing facilities in FY21</li> <li>› Finalisation of cyber insurance, inclusive of our OT environment</li> <li>› Coverage of our vulnerability management programme (i.e. security threat management programme) has been extended to the entire Tiger domain, inclusive of the site environments across the country</li> <li>› Appropriate measures are in place to safeguard against threats to information and cyber security that are a consequence of remote working arrangements. These include firewall monitoring that includes the virtual private network, endpoint and full disk encryption, email exchange management by service provider Mimecast and network vulnerability scans.</li> </ul>

Material risks	Implications for value	Mitigating actions
<p><b>8. Data and information risk</b></p> <p><b>Risk trend</b> ↓ 2019 ranking (7)</p>	<ul style="list-style-type: none"> <li>› Suboptimal information management could lead to inconsistent data quality, compromising decisions and contributing to privacy/identity management and information security risks</li> <li>› Increased regulation is placing additional demand on system capabilities and IT teams and presents implications in terms of compliance and potential non-compliance costs.</li> </ul>	<p>The formation of a Tiger-wide Data Governance Council (DGC) has been approved.</p> <ul style="list-style-type: none"> <li>› As part of the PoPIA compliance programme, a privacy compliance governance is being implemented through the Tiger Information Office to adequately manage and safeguard the processing of personal information across Tiger</li> <li>› The DGC will coordinate and streamline data risk management and governance across Tiger and will report to the risk and sustainability committee of the board.</li> </ul>
<p><b>9. Attract and retain critical skills</b></p> <p><b>Risk trend</b> ↓ 2019 ranking (8)</p>	<ul style="list-style-type: none"> <li>› A loss of critical skills can negatively impact our ability to deliver our strategy and maintain business viability and profitability</li> <li>› An inability to ensure sufficient level of diversity in the executive team and across the employee base also undermines our effectiveness and has reputational implications.</li> </ul>	<p>Comprehensive people strategy is in place to attract, develop, reward and retain talent, with provision for:</p> <ul style="list-style-type: none"> <li>› Performance management and incentive structures aligning performance to group objectives</li> <li>› Proactive talent mapping and engagement plans by role and function to drive talent acquisition</li> <li>› Skills development and leadership initiatives</li> <li>› Robust induction and onboarding programme</li> <li>› Initiatives have been developed to improve employee engagement and experience across Tiger Brands</li> <li>› Implementation of the engagement/employee experience survey will enable the organisation to track, report and close gaps on culture transformation and employee engagement.</li> </ul>
<p><b>10. Intensifying competition</b></p> <p><b>Risk trend</b> ↑ 2019 ranking (16)</p>	<p>Intensifying competition poses an increasing challenge to our market performance, threatening:</p> <ul style="list-style-type: none"> <li>› Loss of consumers and market share</li> <li>› Retailer dominance and customers becoming competitors</li> <li>› Inability to compete in high value categories</li> <li>› Erosion of brand equity and profit margins.</li> </ul>	<ul style="list-style-type: none"> <li>› Review of business, with a fit-for-future restructure and updated strategic growth drivers</li> <li>› Key account forums and joint business plans established with key customers</li> <li>› Enhanced research and analytics, with monitoring of customer and brand strategies and performance</li> <li>› Increased investment in, and enhanced execution of R&amp;D, innovation and marketing</li> <li>› Development of private label and value-brand strategies</li> <li>› Drive for talent and high-performance culture.</li> </ul>