MATERIAL RISKS AND OPPORTUNITIES

The Tiger Brands' board has ultimate responsibility for overseeing the group's risk management and assurance arrangements and is assisted by the risk and sustainability committee in the fulfilment of its fiduciary duties.

Senior management, across the divisions and business units, are responsible for leading the management of risks in their respective areas, while oversight at divisional level rests with the relevant executive committees. Although divisional and business unit risk registers are formally reviewed quarterly, risks are managed continuously. The risk and sustainability committee meets three times per year to provide group-level oversight.

We are committed to maintaining an integrated process of risk and assurance management that is rooted in generally accepted frameworks and good practices, including ISO 31000:2018 and the King IV™. Collectively the risk registers provide a comprehensive and well-considered view of the potential risks facing the group, its divisions and business units. We thoroughly interrogate the various mitigating strategies to ensure proactive responses to all risks. This year, Tiger Brands did not engage in activities that exposed it to undue, unexpected or unusual risks.

We have an integrated combined assurance process to provide comfort to stakeholders that our risks and opportunities are appropriately managed. This process coordinates assurance activities from various providers to ensure an optimal assurance result.

These processes are embedded through our risk-aware culture, in which every employee, contractor and consultant contributes to the effective identification and management of all risks, including compliance and IT risks. Our culture supports the continual strengthening of our risk management and assurance processes to achieve the targeted maturity level as set by the board, which is informed by independent assessments of the effectiveness of our risk management arrangements.

RISK APPETITE AND TOLERANCE

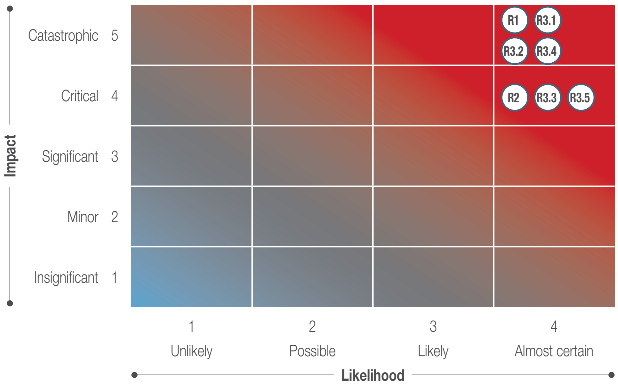
Risk appetite refers to the level of risk that Tiger Brands' management is prepared to absorb before mitigating actions are implemented; risk tolerance refers to the company's strategic capacity to accept or absorb the risk. The risk and sustainability committee determines the risk appetite and tolerance.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

Each risk is evaluated in terms of its likelihood and impact, both on an inherent basis (before controls) and a residual basis (after controls). The group risk profile is reviewed quarterly and may be 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 the group risks.

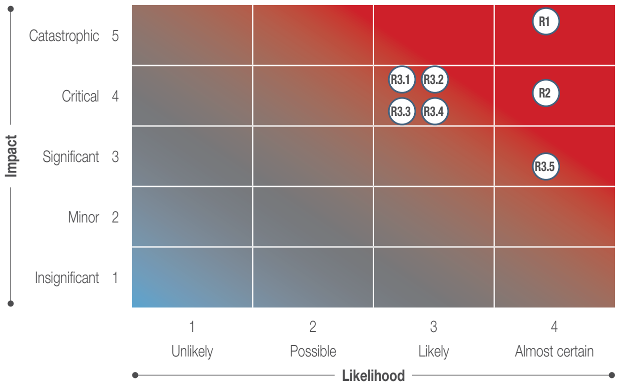
OUR TOP RISKS

The heat maps overleaf reflect those risks that exceed our residual tolerance level and that are thus identified as having the most material implications for Tiger Brands and its employees. Each risk is presented from an inherent and residual perspective, based on key tolerance levels.

INHERENT RISK MAP



RESIDUAL RISK MAP



- R1 Albany route-to-market
- R2 Inability to respond to changes in market dynamics and competition
- R3.1 Negative impact of Covid-19
- R3.2 Food quality and safety
- R3.3 Changing consumer preferences
- R3.4 Information and cyber security
- R3.5 Data and information risk

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

MATERIAL RISKS

1. Albany route-to-market

Risk trend ⇔/2020 ranking (1)

CONTEXT AND VALUE IMPACT

This remains our top risk; we have zero appetite for loss of life, which is the primary driver for the overall risk rating. Increasing levels of violent crime against drivers in the bakery route-to-market can result in:

- Employee and service provider loss of life
- Distribution disruptions
- Reputational and brand damage
- Potential loss of market share.

MITIGATING ACTIONS

- All delivery routes are risk assessed and tailored response measures developed
- Embedding implementation, adherence and compliance to all security-related policies
- Security assessment reports have been compiled for all facilities to address security-related improvement opportunities
- We are looking to address issues around CCTV installations, security system upgrades, maintenance of current security systems, and service level agreements on monitoring security practices, and we are piloting cashless digital payment systems.

Material risks and opportunities continued

MATERIAL RISKS

2. Inability to respond to changes in market dynamics and competition

Risk trend ⇧/2020 ranking (10)

CONTEXT AND VALUE IMPACT

Changing market dynamics, customer consolidation and intensifying competition are changing in response to constrained consumer spending, and the rise of smaller niche players, private label, and cheap imports. This poses an increasing challenge to our market performance, threatening:

- Loss of customers and market share
- Retailer dominance, with customers becoming competitors
- Erosion of brand equity and profit margins.

MITIGATING ACTIONS

- Key account forums and joint business plans established with major customers
- Enhanced research and analytics, with monitoring of customer and brand strategies and performance
- Investing in strengthening our innovation, focusing on fewer and larger innovation projects – on value, nutrition and convenience – as well as building our Big Brand image and consumer intimacy and loyalty
- Containing cost pushes in the supply chain to ensure that products remain competitively priced
- Strengthened customer marketing teams and invested in category management resources and tools to enhance in-store execution
- Commercial analytics tool used to optimise promotions
- Standardised legally compliant, fair and equitable trading terms.

MATERIAL RISKS

3.1 Covid-19 impacts

Risk trend ⇩ /2020 ranking (2)

CONTEXT AND VALUE IMPACT

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:

- Economic shutdown and reduced growth
- Production setbacks and declining stock levels
- Increased operational costs and revenue loss
- Employee unease, absenteeism, job loss and loss of life
- Declines in customer experience and brand reputation.

MITIGATING ACTIONS

- Operations managed responsibly with the health and safety of employees a top priority
- Global raw material availability may impact finished product supply levels in some categories. We are well placed in the short to medium term and confident we can meet demand, increasing production capacity on key food products if needed.

MATERIAL RISKS

3.2 Food quality and safety

Risk trend ⇧/2020 ranking (5)

CONTEXT AND VALUE IMPACT

Challenges with food safety can have significant implications in terms of:

- Loss of life
- Reputational and brand damage
- Loss of market share
- Disruptions to production
- Expensive product recall
- Potential litigation.

MITIGATING ACTIONS

- Revised 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
- Manufacturing, group legal and regulatory compliance functions collaborate to ensure products comply with regulatory standards and meet consumer preferences.
- Entrenched partnership with Stellenbosch University to remain at the forefront of scientific trends, through the Centre for Food Safety
- Adoption of European Hygienic Engineering and Design Guidelines (EHEDG) in terms of manufacturing hygiene standards
- Additional efforts to close gaps, reduce surprises, eliminate new liabilities and foster a "quality" culture.

MEET THE NEEDS OF THE CONSUMER	OPTIMISE OUR SUPPLY CHAIN	BE OBSESSED ABOUT COST SAVINGS AND EFFICIENCIES	BUILD A GROWTH PIPELINE	IGNITE OUR PEOPLE

MATERIAL RISKS

3.3 Changing consumer preferences

Risk trend ⇧/2020 ranking (new)

CONTEXT AND VALUE IMPACT

- The challenging macro-economic environment and changing market dynamics have led to a change in consumer behaviour and preferences including uptake of e-commerce, increased focus on health and wellness, "greener" food, local products and brands, and changing consumer taste
- Weakened consumer demand on the back of low economic growth negatively impacting volumes and heightened consumer focus on shopping on promotion, negatively impacts profitability
- Risk of inadequate market intelligence, consumer insight, misaligned price management responses; insufficient investment in innovation; and lack of flexibility due to facility constraints.

MITIGATING ACTIONS

- Consumer and market insights team that is tracking market and consumer behaviour and preferences through a variety of methodologies to guide and inform business decision making
- Innovation director appointed who is reworking our innovation practices and methodologies to drive a step change in innovation performance
- Innovation opportunities being realised in areas such as snackification, value, and health and wellness
- Currently rolling out revenue growth management practices across our business units to be smarter with our pricing practices
- Research study completed to enhance our understanding of consumers' consumption patterns and inform our innovation and communication activities
- Launched the Venture Capital Fund to access and invest in external innovation.

MATERIAL RISKS

3.4 Information and cyber security

Risk trend ⇔ /2020 ranking (7)

CONTEXT AND VALUE IMPACT

Increasing interconnectivity, globalisation and “commercialisation” of cyber crime are driving greater frequency and severity of cyber incidents, including data breaches:

- This can compromise the confidentiality, integrity and availability of information and technology resources, lead to disclosure of commercially sensitive information, intellectual property and/or disruption to operations
- In addition to non-compliance risks, the release of any personal information also has negative reputational and brand implications.

MITIGATING ACTIONS

- IT policies have been established to support the group’s approach to managing information security
- The cyber security landscape is monitored with a view to implementing the latest security practices and revising existing controls to safeguard the group against cyber crime and maintaining cyber resilience
- Various initiatives underway including multifactor authentication, identity and access governance, privileged access management, Information Technology and Operations Technology (IT/OT) convergence, data masking in our databases, and initiating a full review of all mimecast rule sets to obtain the right balance between tight security and usability
- Various external security specialist providers utilised to further enhance our security posture.

MATERIAL RISKS

3.5 Data and information risk

Risk trend ⇔ /2020 ranking (8)

CONTEXT AND VALUE IMPACT

- Suboptimal information management could lead to inconsistent data quality, compromising decisions and contributing to privacy/identity management and information security risks
- Increased regulation is placing additional demand on system capabilities and IT teams and presents implications in terms of compliance and potential non-compliance costs.

MITIGATING ACTIONS

- Security testing is considered for all applicable projects with the aim of strengthening our technology control environment for data security. Implementation of enterprise-wide data and information strategy is in progress
- The following policies govern the development of new solutions on an ongoing basis: information security and cyber resilience policy, information privacy policy, and acceptable usage policy
- A data management specialist is being contracted to assist in the formulation and strengthening of our capabilities in this area, working jointly with the IT and legal team to drive the required architecture and governance aspects across the group.