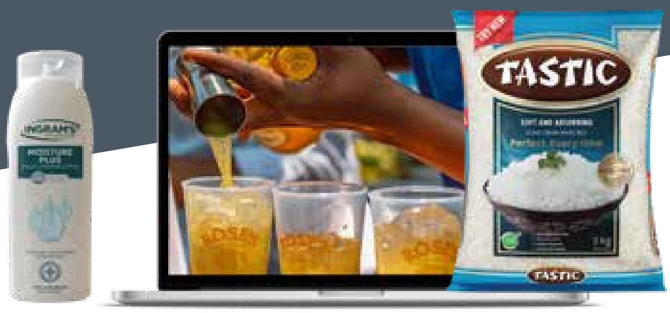
OPTIMISE OUR SUPPLY CHAIN



PERFORMANCE SUMMARY 2021

- ✓ Overall equipment effectiveness (OEE) up 7%
- ✓ Improved safety protocols contributed to our rapid and decisive response in implementing a product recall after identifying a defect in supplied cans
- ✓ 40% reduction in marketplace quality incidents
- ✓ 25% decrease in consumer complaints
- ✓ Ahead of our targets on all key safety, health and environment metrics (sustainability report).

Our predominant focus this year has been on stabilising operational performance in our supply chain and putting in place defined processes to boost productivity and efficiencies and deliver on our product quality and food safety objectives. In addition to working towards having world-class factories, we have renewed our focus on delivering greater value from our procurement and logistics activities.

DEVELOPING SAFE, WORLD-CLASS MANUFACTURING OPERATIONS

Ensuring excellence in our manufacturing operations is an obvious foundation for business success. Through our operations support strategy, we are striving to build agile, fit-for-purpose operations that deliver continuous improvement in productivity, safety and environmental performance. We are placing a particular focus on implementing and progressing manufacturing excellence custom and practice (MECP) across all our plants, prioritising our activities this year on six sites with the greatest need for improvement. Our investment in plant and equipment is supported by investment in competency-based training, talent attraction and retention, and building a pipeline through management trainees and apprentices.

Capital expenditure of around R1,7 billion has been approved for FY22, aimed at optimising efficiency, replacing ageing equipment, ensuring compliance and realising innovation opportunities. We made progress this year on 11 of our 15 "game changer" projects identified last year as part of our five-year capex and technology strategy. These projects include upgraded pasta extrusion and packing lines, new lines in Beverages, an effluent plant upgrade, the installation of standby generators, solar PV systems and steam boilers, and various digitalisation and automation projects. Several of our plant projects were hampered this year due to Covid-19-related constraints, as well as setbacks associated with the civil unrest in KwaZulu-Natal in July, with our Snacks & Treats and Rice facilities significantly impacted.

PRODUCT QUALITY AND SAFETY

While some valuable progress has been made this year in our drive to enhance product quality and ensure consumer safety – by implementing robust integrated management systems, appointing qualified people, and seeking to embed a strong quality culture – we recognise that more still needs to be done. It was disappointing this year to implement a product recall in our canned vegetable range, after we identified a latent defect in cans provided by a supplier. We acted quickly and decisively in recalling the cans, with public health being the over-riding consideration. We are taking various measures to strengthen our supplier quality assurance processes and have introduced a new supplier quality accreditation protocol, informed by a detailed supplier, raw material and packaging risk matrix. We have introduced a more robust supplier audit programme, and we are working with suppliers to proactively close any identified gaps.

In our own operations, we have ensured that Hazard Analysis and Critical Control Points (HACCP) risk and control measures are in place across our facilities. We have identified high-risk areas and have implemented the necessary critical control measures. We have introduced new automation and in-line inspection technologies, and validated our quality testing, sanitation and finished goods release protocols. We are continuing to conduct quarterly self-assessments against the Global Food Safety Initiative (GFSI) requirements, as well as self-assessments against Tiger Brands' quality standards.

All our manufacturing facilities were audited this year by DQS, an international certification body, and maintained certifications against the globally recognised Food Safety System Certification (FSSC 22000) or HACCP system. Most of our sites are certified against FSSC 22000, but we still have a few certified under HACCP. All our external warehouse facilities (Tiger Brands' facilities and third-party warehouses) were audited by DNV, an international certification body, against the Brand Reputation through Compliance (BRCGS) Global Standard for Storage and Distribution. From a total of 22 warehouses, 11 already received certification, 10 have been recommended and are just awaiting the release of the certificate and one will be reaudited due to the impact of the civil unrest in July 2021. Tiger Brands remains a member of the European Hygiene Engineering and Design Group (EHEDG) and will use their guidelines as the manufacturing hygiene standards across our operations.

Our overall quality performance improved significantly this year, with a 25% reduction in consumer complaints, and a 40% reduction in marketplace incidents.

DEVELOPING A WORLD-CLASS PROCUREMENT CAPABILITY

To align ourselves with global best practice and more effectively realise the competitive advantage associated with good procurement practice, we are developing a blueprint to address the identified organisational, process and technology improvements. This blueprint will be informed by a detailed end-to-end evaluation of current procurement practices, identifying the changes needed in our current operating model, governance, skills set, and technologies to achieve a best-in-class, yet fit-for-purpose procurement function. With the appropriate investment, we believe that we can deliver more significant value and savings over the next four years.

Looking ahead we anticipate that some of the projected savings through improved procurement will be offset by global and local supply chain challenges, including delays in the delivery of tin plate following production constraints in China due to environmental regulatory issues, a significant increase in pulp and paper prices, and the broader impact of the pandemic on shipping logistics. Recent regulations on extended producer responsibility relating to certain packaging materials are also likely to have a material impact on procurement costs. These current and anticipated headwinds highlight the need for us to further strengthen our procurement capabilities.

TRANSFORMING OUR LOGISTICS ACTIVITIES

We have identified the potential to realise significant costs savings and improve overall efficiencies by transforming our approach to logistics. Our goal is to develop the logistics function to be a source of strategic advantage that is self-sufficient and agile, where we have full ownership of the intellectual property and data, and improved overall visibility and management of the logistics process, delivering a significant reduction percentage in current logistics costs.

We have approved an ambitious logistics transformation programme to be executed over the next three years, covering 12 broad focus areas and several individual projects. Alongside the strategic transformation, we have identified various operational improvement projects. These planned activities include:

› Bringing in a new warehouse management system and customer support centre
› Completing the in-sourcing of manufacturing distribution centres
› Improving the management of logistics providers
› Integrating forecasting with replenishment planning.

We are confident that these projects will deliver significant savings by getting the basics right, ensuring full ownership of intellectual property and data, freeing us from potential hold-ups by service providers, and improving overall visibility and management of the logistics process.