



(Incorporated in the Republic of South Africa)
(Registration number 2006/019240/06)

RISK MANAGEMENT REPORT

DATE OF ISSUE: JUNE 2020

The board acknowledges that it is accountable for the process of risk management of the group.

Although risk management remains the ultimate responsibility of the board, the board has delegated the oversight thereof to the Zeder Audit and Risk committee (“**audit and risk committee**”), that identify, assess and evaluate risk appetite and risk tolerance levels; measure and monitor management’s actions to mitigate these and/or to accept the level of residual risk or inherent risks; and ensure that good corporate governance is maintained.

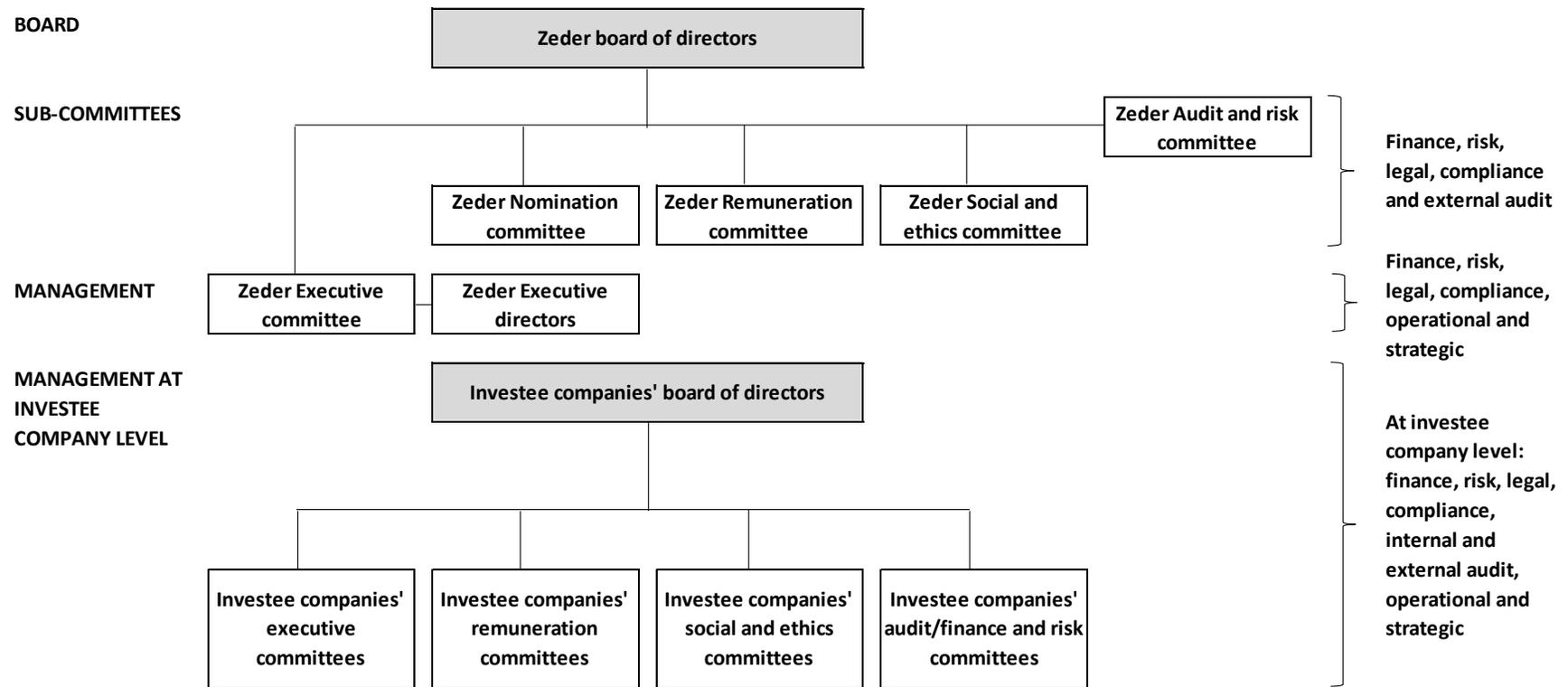
Each investee company experiences different risks depending on the nature of their business, the extent of their financial obligations and other resources and aptitudes of its people. Therefor each investee company has its own board of directors, as well as its own audit/finance and risk committee, that is responsible for the risk management of that investee company and its business.

The formalised reporting structures established across the group ensure that the audit and risk committee receive bi-annual risk reports from the underlying investee companies, which considers the material risks that could impact the investee companies. These risk reports, which are updated on a regular basis, categorise the estimated impact and likelihood of the risks identified by each investee, differentiating between residual risks and inherent risks and advising the board of the controls established or remedial action taken at an investee company level to mitigate the risks identified.

Zeder views risk management as a way to ensure that sustainable value is created in a responsible manner for stakeholders.

Detailed risk assessments and management plans have been implemented throughout the group to ensure that risk is properly managed.

Zeder defines the responsibility and accountability for risk management, as illustrated through the following structure:



Employees responsible for finance, risk, legal, compliance and operational functions at Zeder and at investee company level, assist their respective management teams and Zeder executives to implement policies, procedures and controls.

Management at investee company level and at Zeder, is responsible for identifying risks and to develop and implement policies, procedures and controls to address, manage and reduce these risks to acceptable levels, as well as provide oversight to ensure that adequate policies, procedures and controls are applied.

Internal (where applicable) and external audit work on investee company level and at Zeder, is responsible for evaluating, testing and providing assurance to the board and management on the effectiveness of these policies, procedures and controls.

The board, on recommendation by the audit and risk committee, concluded that the risk management process was effective for the financial year.

Zeder's key risks and mitigating factors are summarised below:

KEY RISK	MITIGATING FACTORS
<p>New investment and strategic risk</p> <ul style="list-style-type: none"> • Acquire meaningful stakes in selected new investment opportunities • Insufficient action taken with regards to underperformance of existing investments 	<ul style="list-style-type: none"> • Skilled board members with relevant investment management experience • Skilled and experienced investment personnel with efficient operational processes and controls. • Thorough consideration of new investment opportunities by the Exco and Board that are subjected to due diligence and background checks. • Following of a business approach with long-term investment criteria focused on growth, sustainability and liquidity. • Corporate actions are aligned with the long-term strategy and responsible investment criteria. • Monthly reviewing of management accounts by the Exco in order to evaluate investments' performance. • Representation by Zeder executive on underlying investee's boards and audit/finance and risk committees.
<p>COVID-19</p> <ul style="list-style-type: none"> • Strong healthy balance sheet • Sufficient liquidity and, ability to assist investee companies • Business continuity 	<ul style="list-style-type: none"> • Ensure debt levels are at manageable/responsible levels. • Work towards increased cash balances and access to sufficient working capital. • Ensure systems are in place and able to work and communicate effectively from remote locations. • Ensure social distancing rules are in place, when applicable. • Engagement with all investee companies continues uninterruptedly. • Able to operate remotely during lock-down scenarios.
<p>Market risk</p> <ul style="list-style-type: none"> • Market changes impact on profitability, <i>SOTP valuation</i> (including financing arrangements) and share price • Interest/exchange rate volatility • Political instability in emerging markets 	<ul style="list-style-type: none"> • Monitoring of market conditions by management on an ongoing basis. • Thorough review and monitoring of debt/currency/accounting exposures through formalised policy development and implementation. • Country risks mitigated in part by partnering with strategic equity partners.

KEY RISK	MITIGATING FACTORS
<p>Funding risk</p> <ul style="list-style-type: none"> • Ability to obtain financing • Covenant breaches • Withdrawal of facilities 	<ul style="list-style-type: none"> • Regular monitoring of the gearing levels by the Zeder Executive Committee (“Exco”). • Monthly monitoring of cash flow forecasts on a 12-month rolling basis by the Exco. • Zeder owns unencumbered liquid assets (mainly Kaap Agri and Quantum Foods shares, included Pioneer Food shares until March 2020). • Regular monitoring of financial covenants and relevant forecasts. • Regular interaction with financiers to discuss future funding needs.
<p>Accounting and fraud risk</p> <ul style="list-style-type: none"> • Accurate, transparent and reliable reporting • Management manipulating accounting records in order to inflate earnings or overstate assets 	<ul style="list-style-type: none"> • Budgetary control process includes: <ul style="list-style-type: none"> ○ internal meetings to scrutinise and review budgets before submission to the Exco for final review and approval; and ○ monthly review of management accounts by the Exco. • Technical update meetings held with external auditors to keep up to date with significant accounting changes. • Regular discussions with external auditors regarding the implementation of significant transactions. • Reviewing of significant transaction journal entries by responsible financial managers. • Reviewing of significant transactions for compliance with IFRS by a technical financial manager. • Formal tax opinions obtained from tax consultants before implementation of significant transactions, and the review of implementation documentation afterwards. • Review of all tax compliance and submissions to SARS by tax consultants. • External and in-house technical accounting and tax trainings provided to staff. • Segregation of duties in terms of posting accounting entries and access to accounting records. • Thorough review of investee companies monthly and bi-annual reporting, in order to understand contributors to earnings. • Bi-annual impairment testing performed on intangible assets (including goodwill and intellectual property), as well as debtors, inventory and other fixed/moveable assets. • Ethical and visible leadership via governance structures and related processes. • Each investee company has its own tailored whistle blower programme in place. The programmes range from formal tip-offs anonymous telephone lines and e-mail addresses, which are monitored by third parties and displayed on their websites or communicated to employees, to informal reward systems.

KEY RISK	MITIGATING FACTORS
<p>People risk</p> <ul style="list-style-type: none"> • Loss of executives and/or the chairman at Zeder and at investee company level • The appointment and retention of suitably skilled and experienced directors and officers possessing the required values and drive 	<ul style="list-style-type: none"> • Creation of a positive culture in the work environment. • Effective functioning of the Remuneration Committee with appropriate short- and long-term remuneration policies and retention mechanisms in place. • Effective functioning of the Nomination Committee. • Strong ethical leadership.
<p>Compliance risk</p> <ul style="list-style-type: none"> • Full compliance with relevant legislation and industry practices 	<ul style="list-style-type: none"> • Ongoing review of areas susceptible to possible transgression by the Financial director and Sponsors. • Sponsor team members involved in significant transactions as corporate advisors and make use of independent sponsors when necessary. • Appointment of independent sponsors to comply with the JSE Ltd Listing Requirements. • Formal tax opinions obtained from tax consultants before implementation of significant transactions, and the review of implementation documentation afterwards. • Review of all tax compliance and submissions to SARS by tax consultants.
<p>IT risk</p> <ul style="list-style-type: none"> • Loss of data • Business continuity risk • Business interruption 	<ul style="list-style-type: none"> • Zeder is not a “live-system” business. Data (e-mails and public drive information) is replicated to an offsite server throughout the day. • Zeder’s IT infrastructure is outsourced to a third-party IT manager, whose responsibility it is to ensure that best practices are followed with regards to IT management e.g. software updates, back-ups, hardware management, etc. • Installation of virtual private network functionality on laptops to effectively work from remote locations. • Installation of UPS’ to mitigate the risk of business interruption in case of load-shedding.
<p>Reputational risk</p> <ul style="list-style-type: none"> • All the other risks have an indirect bearing on our reputation 	<ul style="list-style-type: none"> • We believe in open communication and full disclosure to the market, and corporate governance is entrenched in the business. • Closely monitoring shareholder queries/complaints. • Maintaining good relationships with key media players.

The above risks are all mostly relevant to Zeder's investee companies, but noted below are specific key risks at portfolio level:

INVESTEES COMPANY KEY RISK	MITIGATING FACTORS
<ul style="list-style-type: none"> • Changes in commodity prices and volatile weather patterns that have a significant impact on the agricultural sector 	<ul style="list-style-type: none"> • Market diversification to grow market share, mitigate dependence on core agri business and to ensure price/margin optimisation. • Monitoring of market conditions on an ongoing basis. • Ensure operating model/cost structure provides for scale/variability.
<ul style="list-style-type: none"> • Constrained consumer demand 	<ul style="list-style-type: none"> • Strive towards sufficient scale and ensure lowest cost operating model. • Stringent management of price/volume/margin mix. • Add/expand into categories that are less sensitive to these dynamics.
<ul style="list-style-type: none"> • Cyclical volatility 	<ul style="list-style-type: none"> • Conservative balance sheets, where possible. • Regional diversification, where appropriate. • Africa / market expansion.
<ul style="list-style-type: none"> • Key sales and production markets are often volatile emerging market countries with depreciating currencies and volatile trading environments 	<ul style="list-style-type: none"> • Regional diversification, where appropriate. • Market conditions are monitored by management on an ongoing basis.
<ul style="list-style-type: none"> • Risk of IT platforms being a disruptor 	<ul style="list-style-type: none"> • IT adopted to be more relevant to customers and to remain market leader.