

QUANTUM FOODS HOLDINGS GROUP OF COMPANIES

ENTERPRISE RISK MANAGEMENT FRAMEWORK

CONTENT

1. Introduction to the Framework
2. How we define and Categorize risk
3. Our approach to Enterprise Risk Management (“ERM”)
4. Components of our ERM framework

INTRODUCTION TO THE ERM FRAMEWORK.

The Group provides affordable, quality products responsibly to add value to life, communities and our partners.

Quantum Foods aims to build the leading feed, poultry livestock and protein business in Africa delivering sustainable returns, aligned with a set of core values and our Code of Ethics.

Proactive risk management is essential for the effective implementation of the Group’s strategy and to ensure Quantum Foods remains a competitive and sustainable business. Risk management further improves operational effectiveness and enables improved value creation.

Employees are encouraged to be transparent and thorough in discussing risk issues, making all relevant facts and information available so the Company can consider all possible options and make informed decisions. Risks are inherent in our business activities and can relate to strategic goals, business performance, compliance with laws and regulations, and those critical to environmental, social and governance (ESG) priorities.

This document provides an overview of the Quantum Foods Enterprise Risk Management (ERM) Framework and provides examples of how this approach is implemented within the organization.

The key objective of this ERM Framework is to support the Board and Audit and Risk Committee (ARC), in discharging their duties as oversight-bodies as defined in the respective mandates and terms of reference.

HOW WE DEFINE & CATEGORIZE RISK.

Risk management requires a broad understanding of internal and external factors that can impact achievement of strategic and business objectives. A periodic evaluation process is conducted by senior management to identify and evaluate risks and also to consider value creation opportunities through appropriate risk mitigating actions. To prioritise management focus and mitigating actions, identified risks are assessed for the likelihood of occurrence and potential financial impact on a scale of 1 to 5. The product of the likelihood and impact assessment determines the risk score. The results of the evaluation are reported to and approved by the Audit and Risk Committee which oversees the Group's risk management framework. Identified risks are given both an inherent (without mitigating controls) risk rating and a mitigated risk rating (assuming mitigating controls are effective)

Risks are classified according to the following table on a scale of 1 to 5

Scale	Severity or impact	Financial impact (ZAR Million)	Description of Outcome
5	Catastrophic	>R100	Disaster with potential to lead to the collapse of Quantum Foods and is fundamental to the achievement of objectives.
4	Critical	R40 – R99.9	Critical event which can be endured but which may over a period have a negative impact and extensive consequences.
3	Serious	R20 – R39.9	Major events which can be managed but requires additional resources and management effort
2	Significant	R10 – R19.9	Event which can be managed under normal operating conditions.
1	Minor	< R10	Consequences can be readily absorbed under normal operating conditions.

Scale	Likelihood of occurrence	Qualification Criteria
5	Common	The risk is almost certain to occur in the current circumstances
4	Likely	More than an even chance of occurring, at least once within the next 12 months.
3	Moderate	Could occur, and likely to occur in the next 2 – 3 years
2	Unlikely	Small likelihood but could happen, unlikely to occur in the next 2 – 3 years
1	Rare	Not expected to happen – event would be a surprise.

Risks to the Company's success are categorized as Strategic, Operational, Information Technology, Human Resources, Financial, Reporting or Compliance and Governance.

The Risk Register and Combined assurance model contains detail of the various risks identified, the risk classification, risk mitigation and desired and actual levels of assurance for the effective control of the risk environment.

The objective of combined assurance is to enable effective control of the Group's risk environment. Assurance processes in the Group include management, various second line and external assurance providers such as health and safety, as well as internal and external audit. These various assurance role players oversee corporate governance at Quantum Foods and provide different types of assurance. They are differentiated by their levels of independence from the Group's operational activities and the Group itself. Through the use of the Quantum Foods combined assurance model, the independence of assurance gradually increases over four lines.

1. Management oversight	The senior and line management in each division and business unit are responsible for day-to-day risk management and for managing, measuring and mitigating operational risk.
2. Governance and risk compliance	The ARC operates within written guidelines instituted by the Board and is responsible for reviewing and monitoring the Group's risk management performance and providing a high-level risk assessment to the Board on an ongoing basis.
3. Internal audit	The internal auditors serve as an independent appraisal and assurance body that fulfils a core requirement within the Group's governance structures. It aims to add value by providing the Group with autonomous and objective assurance.
4. External audit and other independent third-party assurance providers	In line with the Group Governance Framework, external assurance providers are appointed by the Group's operations. Feedback on audits is monitored by the ARC.

OUR APPROACH TO ERM

Our approach to ERM is informed by principles outlined by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) which defines ERM as "the culture, capabilities, and practices, integrated with strategy-setting and performance, that organizations rely on to manage risk in creating, preserving, and realizing value" (COSO, ERM Framework – Integrating with Strategy and Performance, 2017).

A healthy risk-culture is achieved and maintained by risk-communication, training and information sessions and by encouraging employees to be transparent, honest and fact-based in discussing risks, to enable the Executive Management Committee (EXCO) in decision-making that is appropriate and informed, so that business risks are appropriately managed.

The Quantum Foods ERM framework helps identify potential events that may affect the enterprise, manage the associated risks and opportunities, and provide reasonable assurance that the Company's objectives will be achieved.

Our approach to risk management is set out in the Quantum Foods Holdings Limited Enterprise Risk Management policy. This policy is reviewed and approved annually by the Audit and Risk Committee.

The policy provides detail on:

- The responsibility for risk management at the various levels in the organisation
- The requirements for risk reporting

COMPONENTS OF OUR ERM FRAMEWORK

The Quantum Foods ERM Framework comprises five interlinked components:

1. Strategy & Setting of Performance targets
2. Performance
3. Review & Revision
4. Information, Communication & Reporting
5. Governance & Oversight

While no risk management system can possibly address every risk, the goal is to ensure prioritized risks are managed within acceptable levels.

These five components of our ERM Framework are described further below.

1. STRATEGY & SETTING OF PERFORMANCE TARGETS

Guided by our values and the Code of Ethics the Executive Committee (EXCO) establishes overarching strategic themes and sets financial and non-financial performance targets. Performance initiatives and targets are set per strategic theme on an annual basis. These strategic themes and performance initiatives and targets are, once approved by the Board,

cascaded throughout the various business divisions, ensuring alignment across the enterprise. Senior management is accountable for meeting these performance targets, which also form the foundation of the Quantum Foods' employee performance management system.

2. PERFORMANCE

Internal and external issues and events affecting our ability to achieve established performance initiatives and targets are typically identified at various points in the business cycle.

During the budgeting and review processes, business unit management assesses, e.g. the marketplace and competitive environment, including megatrends, to identify risks and opportunities facing their business.

The various risk management functions provide expertise, support and input into the process as needed. Business managers, in partnership with the applicable risk management functions, determine the appropriate way to address identified risks. The activity or situation posing the risk may be avoided, accepted, reduced, shared or transferred, depending on the facts and circumstances. To help ensure risk responses are consistently implemented, risk management functions may set policies, define minimum standards and/or issue guidelines that apply to Quantum Foods business activities. An example being the Group Asset care policy. Risk management functions help support the implementation of these policies, standards and guidelines through monitoring tools, such as biosecurity or health and safety audits.

Throughout the year, risk assessments, scans and surveys may be performed by the business and/or risk management functions to identify internal and external events that might affect achievement of the Company's objectives.

This enables business managers to understand where controls are necessary, as well as where improvement may be required.

Business unit management, in partnership with the appropriate risk management functions, develop action plans to implement or strengthen risk-mitigating activities, as applicable.

The organisation develops response strategies for all material risks. Where the risk is within the control of the organisation the following response strategies must be applied and considered:

- Reduce: the risk(s) is reduced by implementing controls.
- Accept: the risk(s) are accepted/ tolerated and managed without any additional controls, normally due to cost-benefit considerations.
- Avoid: the risk(s) are avoided/ terminated by changing the strategy and business plans.
- Transfer: the risk(s) are transferred to a third party (i.e. insurer).
- Mitigate: the risk(s) are reduced/ treated by actions implemented.
- Optimise: achieving an optimal balance between risk and return

3. REVIEW & REVISION

Critical to our ERM Framework is a review and reporting process to ensure risks are effectively assessed and appropriate risk responses and controls are in place. Testing, auditing and assessments are typically performed by personnel who don't report into the business unit manager in order to provide assurance that risk responses are being implemented, procedures are understood and followed, and appropriate controls are in place. Business unit management monitor the effectiveness of the risk mitigation activities through review of metrics and other data on a periodic basis. Additionally, key risk metrics are reported to the Quantum Foods Board via the Audit and Risk Committee in the form of a detailed Risk appetite framework (which include tolerance levels for risks that if they occur require immediate escalation to the Board) as well as a detailed report on risk management in a reporting period. Any new risks identified are evaluated for inclusion on the Risk Register and Combined assurance model.

4. INFORMATION, COMMUNICATION & REPORTING.

Information and communication channels are in place so that business managers and employees are aware of risks that fall into their area of responsibility.

Formal and informal training is conducted with applicable personnel. Information is provided to new appointments and employees transferring to new functions on key processes applicable to their role. For many areas of risk, training is conducted annually.

Other relevant information is disseminated through directed communications and via intranet sites or notice boards. Rapid alerts or formal memos summarizing key learnings from incidents, common audit findings or other identified trends may be distributed across the impacted business units to help prevent similar events at other business units or locations.

Policies and procedures are in place that require incidents of noncompliance, adverse events, control failures or critical unmitigated risks to be escalated to senior management and, if appropriate, the proper authorities in a timely manner. Additionally, the Tip-offs Hotline offers all employees, suppliers and others a mechanism for anonymously (where local law permits) reporting potential violations of laws, regulations or policies, or to raise concerns about safety, security, or ethical behaviour.

5. GOVERNANCE & OVERSIGHT

The Board of Directors provides oversight of senior leadership's management of the various risks the Company faces. The Board meets at regular intervals with EXCO members and discusses risk factors related to the Company. The Audit and Risk Committee dedicates at least one meeting per year specifically to the management of risk. It also receives regular reports from the Company's independent internal auditor.

A Group Corporate Governance Framework which is reviewed annually by the Audit and Risk Committee and Board further sets out the Governance structure of Quantum Foods and the responsibility of each Committee to enable prudent management and oversight.

REFERENCE DOCUMENTS

- Enterprise Risk Management Policy
- Group Governance Framework
- Risk Register and Combined Assurance model

Please contact the Company Secretary or CFO for any further information or clarification required on this ERM.

APPROVAL

Document Title:	Quantum Foods Enterprise Risk Management Framework
Approving body:	Board of Directors
Approved and effective:	12 August 2021
Date reviewed:	20 August 2026