

KEY RISK MATRIX

Key Risk	Strategic goal impacted	Business Impact	Mitigation of the Risk
Continued escalation of municipal expenses, particularly electricity	Sustainable growth in distribution Developing and maintaining a strong relationship with tenants	Tower carries additional costs due to the amount of recoveries it can realistically recover from its tenants.	Greening programme reduces consumption and therefore reduces tenants operating costs.
Impact of Interest rate increases on consumers and tenants	Sustainable growth in distribution Developing and maintaining a strong relationship with tenants	Increased interest rates place added burdens on tenant's balance sheets increasing risk of business failure.	Asset and property managers engage regularly and strategically with tenants to assist with their business growth particularly in retail property.
Interest rate increases impacting the fund's monthly expenditure	Sustainable growth in distribution Maintaining a conservative debt profile	Increase in monthly interest expense which will lower the company's distributable income.	Tower has fixed a large portion of its debt fixed for between 2 and 5 years through interest rate swap contracts.
Local authorities billing incorrectly and valuing properties incorrectly.	Developing and maintaining a strong relationship with tenants Cost management	Increase in municipal charges is passed on to the tenants making cost of occupancy unaffordable.	Tower pro-actively engages with the local authorities to ensure valuations are correct or are corrected as soon as possible. Municipal consultants are utilised in this regard.
Macro-economic conditions affecting monetary policy directly affecting consumers and tenants	Developing and maintaining a strong relationship with tenants Cost management	Households come under pressure reducing disposable income resulting in reduced retail expenditure.	Tower seeks to engage with its tenants to make space affordable by utilising turnover rentals whilst reducing operating costs through greening programmes.
Service providers not providing efficient or accurate services, particularly the property managers	Developing and maintaining a strong relationship with tenants	Reporting errors and incorrect invoicing of rentals to tenants.	The asset managers strictly monitor the performance of the property managers through set KPI's and regular communication.

Higher cost of capital	Growing a quality portfolio Maintaining a conservative debt profile	Reduces company's ability to grow its balance sheet.	Tower monitors its key financial ratios and is seeking to raise a portion of its debt funding through the debt capital markets.
Increased cost of equity	Growing a quality portfolio	Reduces company's ability to grow its portfolio.	Tower issues shares to vendors for the purchase of properties reducing the amount of capital it needs to raise. Shares are attractive to investors given the REIT advantages to a seller, which include CGT rollover relief.
A large volume of leases expiring at once	Sustainable growth in distribution	Pressure is placed on the company to renew tenants at lower rentals to ensure retention and continuity of income.	Asset Managers and Property Managers seek to spread the lease expiry profile as much as possible to ensure variable expiries, lease negotiations begin 6 months in advance with expiring tenancies.
Increase and recoverability of arrears	Sustainable growth in distribution Cost management	Significant monies owing are irrecoverable. Pressure on working capital requirements.	Credit risk management processes implemented and enforced. Arrears are closely monitored.
Exchange rate fluctuations	Sustainable growth in distribution Maintaining a conservative debt profile	The strengthening of the rand reduces distributable income. The weakening of the rand increases the fund's loan to value.	Tower has reduced its loan to value to reduce the risk of a breach of its loan covenants in the case of the rand weakening.
Exposure to an unknown operating environment through the recent acquisitions in Croatia	Sustainable growth in distribution Growing a quality portfolio	Non-compliance with laws and regulations.	Management consults with local and Croatian legal and tax advisors to ensure compliance with all laws and regulations.
Tenant concentration risk	Sustainable growth in distribution	Significant monies owing are irrecoverable. Increased vacancies.	No tenant accounts for more than 6% of Tower's total net income. Well located properties which can easily be re-let.
Cyber risk	Sustainable growth in distribution	Reduced efficiency of company operations.	All data is backed up daily and kept at an offsite storage facility Disaster recovery plan Firewalls to prevent external

			access to Tower's systems Virus and patch control to prevent spyware and other attacks on our data.
Retention of key staff	Sustainable growth in distribution Developing and maintaining a strong relationship with tenants	Decline in investor confidence Loss of key skills can result in reduced efficiency of company operations	Retention strategy which includes remuneration benchmarking and share incentive scheme.
Old Cape Quarter development risk: <ul style="list-style-type: none"> • Over budget • Not completed timeously • In contravention of relevant laws • Impact on LTV if units not sold 	Sustainable growth in distribution Cost management Maintaining a conservative debt profile	Reputational damage and decline in investor confidence Disputed insurance claims	Fix as many costs as possible upfront Monitor stage of completion throughout development. Appoint experienced project team and obtain professional advice Maintain a low LTV throughout development
COVID-19 impact	Sustainable growth in distribution Developing and maintaining a strong relationship with tenants Maintaining a Conservative debt profile	Decline in investor confidence Reduction in income and increased outstanding debt. Breach of covenants: <ul style="list-style-type: none"> • ICR due to reduction of rental income received • LTV due to weaker rand and potentially reduced valuations 	Constant communications with all stakeholders and formation of real estate policies, in the national interest, with property working group Keep LTV down by using the full sales proceeds of properties to repay debt. Constant communication with tenants and allowing rental concessions and deferrals where needed.