

KEY RISK MATRIX

| Key Risk | Strategic goal impacted | Business Impact | Mitigation of the Risk |
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| 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. |

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| 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. Inhouse staff appointed to assist in the recovery of arrears |
| 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. Tower has refinanced a large portion of its Euro debt with Rand debt to derisk the LTV from exchange rate fluctuations. |
| 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 |

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