

REPORT ON SUSTAINABILITY

Clover's business is conducted taking into account our legal, ethical and economic responsibilities.



SUSTAINABILITY REPORT

Introduction

This Report on Sustainability incorporates both the requirements of the Companies Act, 71 of 2008 (the Act) in terms of Regulation 43, as well as the King Report on Governance for South Africa 2009 (King III) regarding responsible corporate citizenship. The report also deals with the most relevant and material issues that could substantially impact on Clover's ability to create and sustain value for its stakeholders going forward. Clover is one of few South African businesses that have been in existence for well over 100 years, and we recognise that in order to survive and prosper, we need to be concerned with sustainability.

Governance and compliance considerations

The Social and Ethics Committee has considered the sustainability issues that are pertinent to Clover. The responsibilities and functioning of the Social and Ethics Committee ("Committee") is governed by formal terms of reference approved by the Board and is subject to regular review. The main objective of the Committee is to assist the Board in ensuring that Clover remains a responsible corporate citizen with sustainable business practices by monitoring, developing, reviewing and enhancing the Group's social, ethical, environmental impact and governance in terms of Regulation 43 of the Act, and King III.

To accomplish these above-mentioned tasks, the Social and Ethics Committee has developed and adopted a formal work plan entailing the functions as set out in Regulation 43 of the Act and King III. The implementation of this work plan is prioritised to enable the full discharge of its statutory functions over a period of three years. The Board supports the Committee by setting the appropriate tone and its behaviour, and communications contribute to Clover's ethical culture. This report describes the work and conclusions of the Committee in its second year of establishment.

Over and above the requirements of the Act, the scope of the report has also taken into consideration the Sustainability Reporting Guidelines of the Global Reporting Initiative. In short, it attempts to summarise the key aspects of Clover's business that are critical to its long-term future.

Scope

The scope of this review covers Clover's South African operations and will over time be extended to its subsidiaries in other countries.

Although King III requires that sustainability reporting be independently assured, the Committee is of the opinion that it would be premature to obtain external assurance until the Group's social and environmental recording systems are mature. Clover has processes to ensure compliance with all applicable legislation and legal requirements. It is the Group's intention to enhance qualitative and quantitative information as systems are progressively bedded down. Major improvements in this regard were made during the year under review, specifically with regard to Clover's employment equity plan, employee training and development, the formalisation of the Group's Social and Ethics policy as well as its policy on environmental impact.

In addition, Clover monitors and takes cognisance of relevant legislation, other legal requirements and prevailing codes of best practice, with regard to social and economic development, good corporate citizenship, the environment, health and public safety, consumer relationships, as well as labour and employment. All material risks in complying with the above sustainability drivers are incorporated into Clover's risk universe and are monitored under Clover's risk management process as described more comprehensively under the Governance section of this report.

COMPANIES ACT: REGULATION 43

Social and Economic Development

Good Corporate Citizenship

Environmental, Health and
Public Safety

Consumer Relationship

Labour and employment

REPORT ON SUSTAINABILITY

Ethical leadership and corporate
citizenship/good corporate citizenship

Social and Economic Development

Environmental, Health
and Public Safety

Governing stakeholder relationships/
consumer relationship

Labour and employment

KING III

Ethical leadership and
corporate citizenship

Board and Directors*

Audit Committees*

The governance of risk*

IT Governance*

Compliance with laws, codes, rules
and standards*

Internal audit*

Governing stakeholder relationships

Integrated reporting and disclosure

* Chapters dealt with on Reports on Governance, Risk and Compliance Report.

Furthermore, legal compliance with Regulation 43 of the Act is described fully under the Sustainability section of this report, while compliance with Clover's regulatory universe is described under Compliance in the Governance section. All legal compliance falls under the supervision of the Company Secretary who ensures that the full regulatory universe is monitored.

It is the Group's intention to further incorporate prevailing codes of best practice in terms of Regulation 43 in future. During the year under review, the Social and Ethics Committee has monitored and assessed Clover's standing under the headings set out below. In the opinion of the Committee, based on the information provided to it, the statements set out below fairly reflect the standing of the Clover Group.

Ethical leadership and good corporate citizenship

Ethical leadership

- Clover and its leaders have embedded a philosophy that respects the rights and dignity of others. At Clover we are aware of how our decisions influence others, and these principles are integrated in our thinking and decision-making processes. Our ethical leadership principles are an integral part of our vision and mission, and are demonstrated by our projects.

- **Effective leadership based on an ethical foundation**

Clover's strategy to build a sustainable business considers the long and short-term impacts of our operations on the economy, society and the environment. It is our intention not to compromise the natural environment, and we consider the impact of our operations on internal and external stakeholders.

- **Promotion of equality, prevention of unfair discrimination and reduction of corruption**

Clover is committed to the promotion of equality, and prevention of unfair discrimination with all its stakeholders, as is demonstrated in the Clover Ethics policy. We are committed to using our best endeavours to adhere to the following principles:



- The United Nations Global Compact principles.
- The Organisation for Economic Co-operation and Development (OECD) principles on corruption.
- International Labour Office (ILO).

In order to ensure compliance to these principles, Clover's Human Resources function and Risk Department conduct annual evaluations of the Group's performance. Based on the evaluations performed for the year under review, no material deviations were reported.

Our Ethical Leadership principles dealing with corruption are further disclosed in our Report on Governance, Risk and Compliance. Ongoing awareness is raised through Clover's Ethics awareness sessions at all operations for purposes of enforcing Clover's ethical principles as described in Clover's Ethics policy on Clover's website.

Good corporate citizenship

Clover's business is conducted taking into account our legal, ethical and economic responsibilities. We aim to create higher standards of living and quality of life in the communities in which we operate, while still preserving profitability for our shareholders.

Corporate social and community investment

The purpose of the Clover Mama Afrika project is to identify women who are already making a difference in their communities and help them to become self-sustaining women with skills they can utilise to derive income in order to support orphaned and abused children, the elderly and infirm.

Once having learned these essential skills, our Mamas then pass on their knowledge and teach others in their communities to empower themselves and uplift their communities.

Well into its ninth year, Clover Mama Afrika Trust currently has 36 Mamas countrywide who collectively care for over 14 200 children and more than 2 500 elderly.

Clover Mama Afrika is based on a simple but powerful concept of empowering community caregivers with viable skills, which they in turn pass on to others, in order to earn a sustainable income for the community. This is done whilst caring for society's most vulnerable members, including orphaned and abused children, HIV/Aids victims and neglected senior citizens.

Value drivers

Skills selection centres: Relevant, employable and marketable skills are aligned to the needs of each respective community to ensure that the centres become self-sustainable. After skills-training, Clover Mama Afrika provides start-up equipment to allow for immediate income generation and passing on of skills.

Site improvement: Clover Mama Afrika assists communities with the repairs and renovations to basic facilities such as appropriate ablution facilities.

Monitoring and evaluation: Regular monitoring and evaluation of each self-help project is implemented, which allows for the identification of strengths and weaknesses on an individual basis. Immediate support and assistance is provided where necessary.

Partners: Blue chip partners contribute to the success of Clover Mama Afrika and co-fund 43% of the Trust's expenses. Blue chip partners include:

- Expeditors International.
- HCI Foundation.
- Eqstra Flexi Fleet.
- MiX Telematics.
- Plascon.

Skills training	Clover Mamas/ members trained	Operating centres	Skills transferred to community members	Gainfully employed members
Sewing	101	29	640	93
Bread oven project	503	27	1 049	114
Cooking and baking	79	27	519	69
Food gardens	549	25	577	36
Quilting	39	15	165	12
Crochet/beadwork	49	35	553	37
Hairdressing	16	3	16	12
Pottery	1	1	20	2
Added value skills training				
Art	40	31	263	21
Flower arrangement	37	11	244	18
Mobile phones	79	30		10
MKI Health Information	18	18	Reach 20 000+	n/a
Save a child	175	13		
Basic admin/finance	27	27		

Food gardens feed up to 6 260 members per day

● **Awards:**

Clover Mama Afrika has won prestigious awards since the inception of the project:

2005 – PMR Diamond Arrow Award
 2005 – PRISA Prism Gold Award
 2005 – Proudly SA Homegrown – Bridge Builder of the Year Award
 2006 – Proudly SA Homegrown – Corporate Social Investment of the Year Award
 2008 – PMR Gold Arrow Award
 2009 – PMR overall Diamond Arrow Award
 2010 – FoodBev SETA Baobab Award
 2010 – PMR overall Diamond Arrow Award
 2010 – Mail & Guardian Investing in the Future Award – Corporate category
 2011 – Proudly SA Homegrown – CSI Champion of the Year Award
 2012 – PMR Diamond Arrow Award

Clover Mama Afrika has positioned itself as a successful, award-winning example of a sustainable and effective CSI project, which is making a real difference in the lives of many needy South Africans.

Based on the most recent B-BBEE verification performed by EmpowerLogic, Clover achieved a full allocation of available points under the Socio-Economic Development section of the B-BBEE balanced scorecard.

● **Record of sponsorship and charitable givings**

Clover's sponsorship budget for the period under review was submitted and approved by Executive management. Management is responsible for the tracking, accounting and reporting to the Social and Ethics Committee all sponsorships, donations and charitable givings. Supporting documentation is maintained by each business unit to enable transparent reporting.

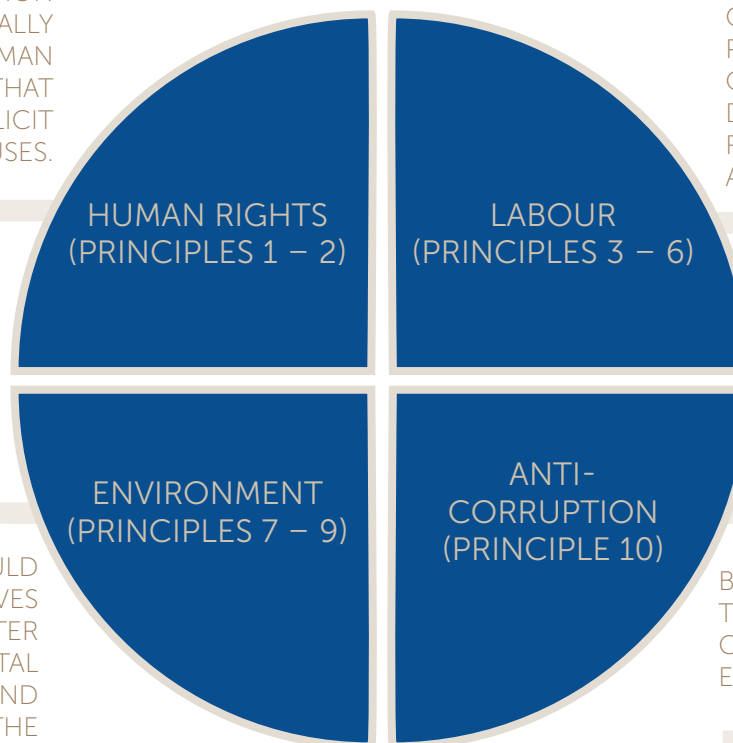
Sponsorships are used with a purpose of gaining brand awareness, corporate identity or consumer loyalty, which is aligned with Clover's vision and mission.

Social and economic development

Clover's business aims to enhance GDP, life expectancy, literacy and levels of employment. As required by regulation 43(5)(a)(i) of the Companies Act (Act 71 of 2008), and to the extent that it is incorporated into South African legislation, the Social and Ethics Committee monitors Clover's activities around Social and Economic Development with regard to matters relating to:

BUSINESS SHOULD RESPECT THE PROTECTION OF INTERNATIONALLY PROCLAIMED HUMAN RIGHTS AND ENSURE THAT THEY ARE NOT COMPLICIT IN HUMAN RIGHTS ABUSES.

BUSINESS SHOULD UPHOLD THE FREEDOM OF ASSOCIATION, ELIMINATE COMPULSORY LABOUR, PROMOTE THE ABOLITION OF CHILD LABOUR AND DISMISS DISCRIMINATION IN RESPECT OF EMPLOYMENT AND OCCUPATION.



BUSINESSES SHOULD UNDERTAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY AND ENCOURAGE THE DEVELOPMENT OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES.

BUSINESSES SHOULD NOT TOLERATE ANY FORM OF CORRUPTION, INCLUDING EXTORTION AND BRIBERY.

● **The 10 United Nations Global Compact (UNGC) principles**

The universal principles to which Clover is committed to include human rights, labour, the environment and anti-corruption, as listed below:

● **The OECD recommendations on corruption**

Clover is committed to conducting its business activities lawfully and in a manner that will enhance the qualities valued by Clover, in particular, ethics, integrity and compliance with the law. Corruption can occur in many forms including extortion, nepotism, embezzlement, bribery, cronyism, patronage amongst others. **Corruption impacts directly or indirectly on sustainable development of Clover's stakeholders.**

Clover's business processes, employee behaviour and daily activities at all levels of the organisation are conducted in accordance with the OECD recommendations on corruption. Further disclosure on the combatting of corruption can be found in our reports on Risk Governance and Compliance.

● **The Employment Equity Act**

Clover subscribes to Employment Equity legislation and relevant Codes of Good Practice; this is also encompassed in the Clover Employment Equity Plan. There should be no unfair discrimination in respect of inter alia, race, colour, language, religion, gender or political views or on the grounds of disability. Therefore all employees will receive equal opportunities to develop according to their merit and ability.

In line with the requirements of the Employment Equity Act, Clover has drafted its Employment Equity plan. The objectives of the plan are to give effect to the company's employment equity policy in so far as it relates to employment equity goals. The employment equity plan will also ensure that Clover's workplace remains free of unfair discrimination and reasonable progress is made towards employment equity in the workplace. The Executive Committee is responsible for the implementation and monitoring of Clover's employment equity plan. The Social and Ethics Committee, in execution of its duties, will assign specific responsibilities to individuals and managers in general. The responsibility to implement employment equity plans at the different Clover workplaces is delegated to site managers. All appointments should be conducted in line with Clover's employment equity policy. Clover's HR is responsible to monitor these activities and report

to the Social and Ethics Committee at least annually on progress to monitor EE targets.

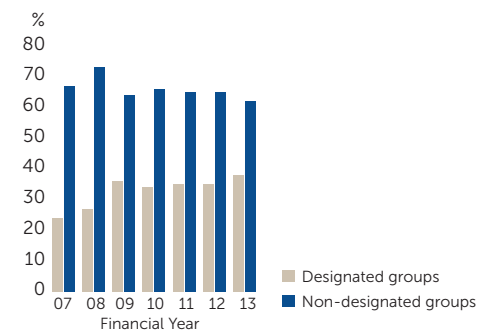
● **Percentage of staff from designated groups**

Clover defines designated groups in line with the Employment Equity Act. A designated group means black people, women, or people with disabilities. Clover has been increasing the number of employees from designated groups as tabled on the right:

● **Employment Equity Plan objectives**

To improve diversity in the workplace, and especially to address the levels of representation of people from designated groups, Clover is committed to achieving the goals set out below:

PERCENTAGE OF STAFF



	Target 30 June 2013 %	Achieved 30 June 2013 %	Objective 30 June 2014 %
Employment Equity measurements against objectives			
Improve representation as follows:			
Black people on F Band	14,20	14,29	14,20
Black people on E Band	5,00	9,52	9,50
Black women on E Band	0,00	4,76	4,70
Black people on C5 – D5 Band	17,90	19,32	20,00
Black women on C5 – D5 Band	4,80	5,40	6,70
Black people on C1 – C4 Band	51,00	53,50	52,40
Black women on C1 – C4 Band	9,90	10,67	10,60
Disabled people	0,77	0,72	0,85

● *Training and development*

Training objectives	2013	2012	2011	2010	2009
Average number of employees	6 533	6 555	6 353	6 362	6 579
Employee turnover per year (%)	10,0	8,21	10,9	9,3	10,3
Number of man days lost due to strikes	11 118	346	112	334	415
Total training spend per year (R'000)	7 965	4 879	3 450	3 942	7 017
Number of employees trained	1 953	2 224	2058	1 550	3 133
Training spend per total number of employees per year (R)	1 219	744	543	619	1 066
Number of man days spent on training	4 627	2 965	2 744	2 067	4 177

Clover has embarked upon various training initiatives to uplift previous disadvantaged individuals. The diagram below summarises the salient features of our training programmes:

	Total employees	Black Employees
Number of employees trained	1953	1601
Number of bursaries granted to employees/students to complete Degree and Diploma Studies	54	23
Value of bursaries granted for Degree and Diploma Studies	R720 000	R453 000
Number of trainees on Workplace Experience and In-Service Training Programmes	24	17
Number of employees enrolled on Learnerships and Skills Programmes and Apprenticeships	299	266

○ **The Broad-Based Black Economic Empowerment Act.**

Clover sees Broad-Based Black Economic Empowerment (B-BBEE) as an opportunity to increase economic activity thereby creating sustainable livelihoods for the country's inhabitants, as well as a growing sustainable consumer market.

Clover is currently a Level 6 B-BBEE contributor. The Group subscribes to the National Government's priorities with regards to transformation and empowerment and embraces the principles of B-BBEE. It seeks to remain a positive and constructive contributor to the country.

For this reason, the Group is aligning its overall business strategy with a B-BBEE strategy to achieve a higher level of compliance.

During the year under review, Clover appointed EmpowerLogic to benchmark its current levels of B-BBEE compliance against the newly issued Agri-BEE sector codes which were published in December 2012. The results of this assessment form the basis of Clover's June 2013 scorecard and have been used to identify key actions, and to determine the necessary focus areas to achieve a higher level of compliance.

Clover currently scores relatively well in areas of preferential procurement, enterprise development and socio-economic development. In terms of its strategy, the Group will pay particular attention to areas of equity ownership, management control, employment equity and further skills development.

Environment, health and public safety

Clover strives to manage its business in such a manner that the environment is adequately protected, and the use of natural resources is minimised and that environmental management programmes are established to contribute towards the sustainability objectives of the company.

Clover's green initiative strategy was formalised and commenced in the 2011 financial year with the aim of establishing a formal environmental sustainability ("green")

strategy. In terms of achieving this vision, Clover recognises its responsibility to reduce, and as far as possible, to eliminate the impact of its business on the environment. Clover recognises that in achieving environmental excellence, it would obtain a competitive advantage over its peers, as a food manufacturer's energy and services costs comprise approximately 30% of fixed costs.

This responsibility not only relates to operations within Clover's control, but also to Clover's supply chain partners, who in the course of supplying Clover, could be responsible for significant environmental impacts.

In the realisation of this responsibility, Clover has developed an environmental management system ("EMS") which provides a structured framework against which continuous improvement can be measured.

Clover actively monitors environmental, health, safety and quality through the use of its dedicated Entropy risk management system and other forms of assurance. It is envisaged that the Entropy measurement will be progressively extended to other areas of environmental sustainability.

Table of different types of monitoring performed by the Group

Objective	Outcome
Continuously improve on environmental performance.	Implement and maintain an effective environmental management system ("EMS"). Provide a structured framework for continual improvement.
Inform staff on the EMS and policy and equip them with skills to achieve requirements of the policy.	Staff engagement, formal development and training.
Ensure consistent quality of products in line with legal, regulatory and best practise requirements.	* Implement quality assurance models in both Clover's milk collection as well as the production environments with laboratories monitoring and testing quality of products. Ultimately quality is monitored through feedback at Clover's Consumer Centre handling general enquiries, complaints as well as compliments.
Reduce carbon footprint.	* Quantify the carbon footprint associated with operations and key elements of the supply chain. Set annual targets for reducing Clover's overall climate impact.
Reduce water usage across operations.	* Monitor water usage and set targets for reducing water consumption.
Limit the generation of solid and liquid waste and the impact of their disposal.	* Implement programme, monitor waste sent to landfill and set targets for reducing waste to landfill.
Minimise returns and damages and the impact thereof on the environment.	Implement programmes and monitor.
Reduce energy consumption and associated emissions.	* Monitor energy usage and set targets for reducing consumption.
Manage impacts for on-site storage of fuels and chemicals, both during normal operation and in the event of spills and emergencies.	Implementation and monitoring of procedures.
Optimise the use of primary and secondary packaging.	Monitor wastage and implement improvement processes and targets.
Adhere to all applicable environmental legislation.	Continuously review and revise the ambit and effectiveness of the EMS.
Ensure continuous monitoring of and reduction in the impacts associated with milk supply.	* Support and development of the Best Farming Practices Programme.
Inform supply chain partners on activities to reduce environmental impact and partner with them to reduce their own impact.	Formally engage with partners in the supply chain.
Ensure Health and Safety throughout all operations.	* Continuous monitoring to ensure safe working environment.

- These outcomes are described further in this section in the order of the above table.

Clover requires each business unit to regularly report its contribution to the environment on agreed measures to the Social and Ethics Committee.

The Chief Engineer: Maintenance and Safety, Health and Environment ("SHE") for Production together with the Divisional Engineer for Distribution are both responsible for reporting on Clover's green strategy and on SHE compliance to the Social and Ethics Committee on a quarterly basis.

Quality

Quality of raw milk collected

Clover's Milk Procurement business unit continuously seeks new and better ways of conducting its business. It has finalised its Electronic Tanker Collection System ("ETCS") during the financial reporting period. This is a

first for the South African dairy industry and is a huge improvement over the methodologies used in the past. Although we had some difficulties to resolve during the test phase, we are confident that all these challenges will be addressed and that this system will add value to Clover and its milk producers in future. The main benefits of this new system are:

- Automation of transfer of milk from the tanks to the Clover milk system.
- Human interference is limited to the absolute minimum during the milk collection process, to ensure the best possible levels of accuracy, repeatability, consistency and hygiene.
- Reconciliation of milk volumes can be done within minutes after off-loading at factories, due to the availability of data.

Quality over final product produced

All Clover products are produced in terms of International best practices, regarding quality, hygiene and food safety. All Clover factories are ISO 9001 and HACCP certified and accredited by third party auditors and comply with all international standards, required for food safety and quality management systems.

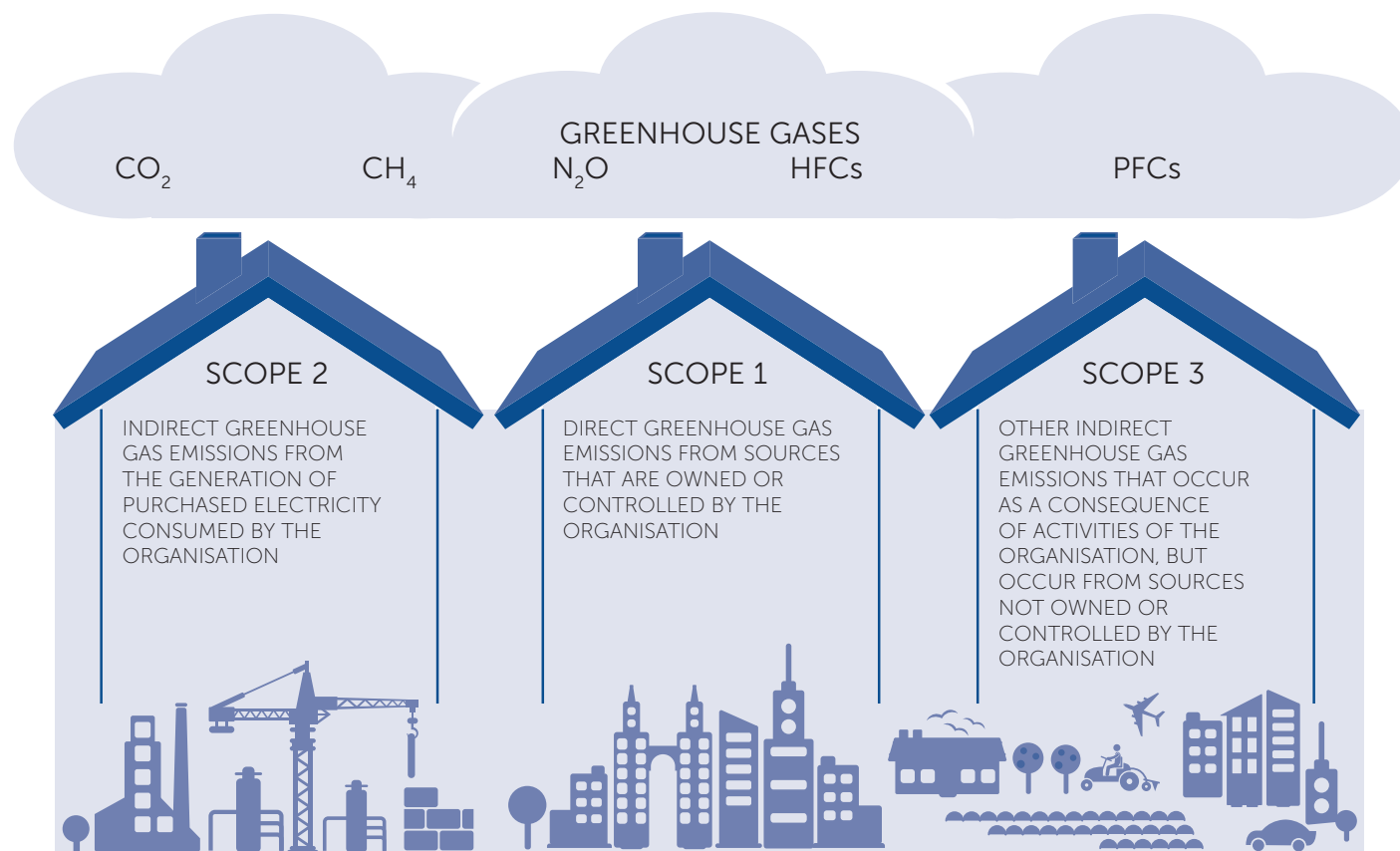
Clover Quality Assurance performs various tests in all stages of the production process of all its products, through highly trained technicians, in well-equipped laboratories to ensure constant quality, food safety and meeting minimum legal regulatory requirements.

Producer selection	Clover sources milk from 231 carefully selected producers
Ongoing quality assurance	55 quality checks on fresh milk that starts the second it is collected
Clover way better approach to work	Clover's production systems are flushed every eight hours to ensure freshness
Clover Way Better supply chain and warehousing capabilities	Delivering to 13 012 points through 583 trucks to an average eight customers per day per truck

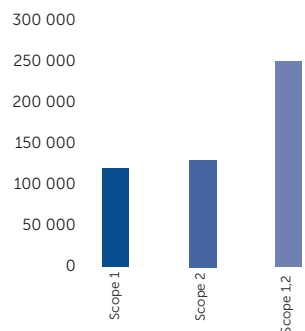
○ **Carbon footprint**

Clover's carbon footprint extends over the operations of the following five business units:

Business unit	Description/key activity
Head office	Corporate administration, marketing, management
Procurement	Transportation of raw milk and materials from suppliers to Clover facilities
Production	Facilities for the processing, packaging and dispatching of products
Primary distribution	Transport of products from production facilities to primary and secondary distribution centres
Secondary distribution	Clover controls a large number of secondary distribution facilities across South Africa that handles own and principal clients' products. Distribution is to retail customers through leased vehicles, under the control of Clover



Summary of carbon footprint by scope

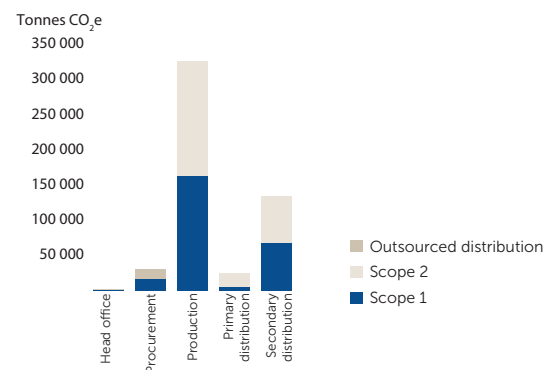


Carbon footprint

Scope 1 and 2 emissions (Clover direct contribution)

Carbon tax implication (at R120/Ton and 60% allowance would equate to -R5 714 040)

Scope breakdown per business unit



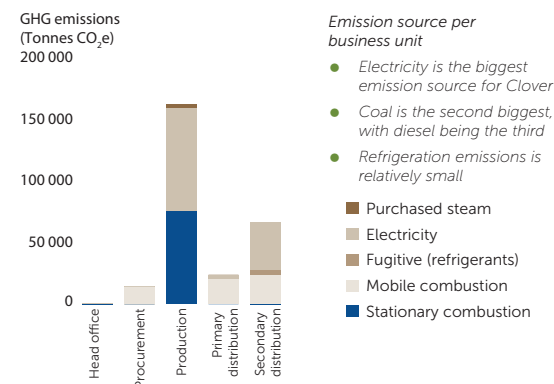
Business unit contribution

Production is by far the biggest emitter of greenhouse gas

Secondary distribution is the second biggest emitter

Primary distribution (inclusive of contractors distributing on our behalf), has a marginally bigger footprint than Milk Procurement

Activity-based (non-scope) summary of emissions

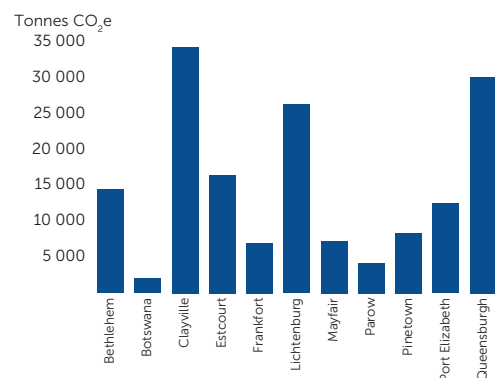


Emission source per business unit

- Electricity is the biggest emission source for Clover
- Coal is the second biggest, with diesel being the third
- Refrigeration emissions is relatively small

- Purchased steam
- Electricity
- Fugitive (refrigerants)
- Mobile combustion
- Stationary combustion

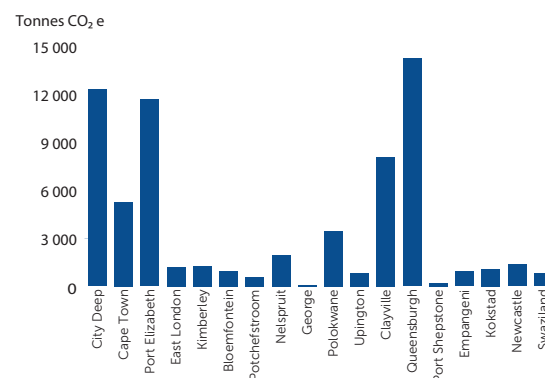
Production site emissions



Production emissions by factory

Powder factories have out of proportion emissions due to high coal consumption

Secondary distribution site emissions



Waste and operational efficiency

During the reporting period, progress was made with the Cielo Blu project, which resulted in the movement of some facilities and operations (Clayville UHT to Pinetown & Port Elizabeth). The investment in ESL and UP milk, in addition to Cielo Blu, resulted in uneconomical production at Clayville for an extended period of time during the current financial year only. These temporary factors make direct comparison with the previous financial years difficult. In the new year once Cielo Blu project is finalised, it is expected that water and electricity usage will reduce substantially with usage forecasts reductions estimated at 21% by end 2014/2015. This impacted environmental performance, as plants were not running at optimal volumes, being at lower than expected production volumes that increases utilisation of water and electricity resources. Utilisation of these resources increases as a result of higher number of production batches than normal. This necessitates more stoppages after each batch and increases the number of washes for sterility after each batch, which results in more resources being utilised. **Excluding the impact at Clayville, appropriate progress was achieved against targeted measures.**

Working towards zero-waste operations	2013	2012	2011
Total waste generated by operations			
Total waste recycled (kg)	2 180 797	1 188 047	829 377
Reducing the amount of water used to produce products			
Water consumed per kg or litre of product produced (l)	4,1	3,5	3,7
Reducing Clover's energy consumption			
Electricity consumed per kg/l product produced (kWh/kg)	0,171	0,1471	0,1567
Fuel consumed for steam generation (coal, gas, HFO) per kg product produced (kWh/kg)	0,41	0,4067	0,3921
Improving occupational health and safety performance (lost time injury (man days))			
Incidents and injury reports throughout the Group's operations	347	574	579

● **Electricity saving strategy**

The current strategy revolves around the following components, with a targeted 20% reduction in actual **resource use** intensity by end 2014/2015 financial year. The capital expenditure budget was aligned to fund these objectives, and total expenditure to reduce utility consumption, increase efficiency, etc. amounts to R15 million for the 2013/2014 financial year.

Activity	Implementation status	Completion date
Eskom subsidised lighting retrofit	5%	03/14
Condenser/cooling tower automation	0%	05/14
Steam Generation Automation	85%	03/14
CIP optimisation – reduced cleaning times	50%	02/14
Operator responsibility for energy consumption – daily monitoring and feedback	30%	10/13
Ensuring all plant components are synchronised without knock-on delays – daily management feedback	30%	10/13
Warm/cold piping insulation	85%	05/14
Ablution heat pumps	0%	03/14
VSD on all large motors above 15kW	75%	03/14
Power factor correction >0.98	90%	12/13
Increasing OPP >75%	70%	05/14
Fitment of new synchronous/VSD air compressors	60%	05/14

● **Product responsibility over raw milk intake**

Clover's commitment to quality starts on the farms of its producers. In terms of Clover's Best Farming Practices ("BFP") programme, based on the International Dairy Federation's directive, the following aspects are focused on:

- Animal health and herd management
- Animal feed and water
- Animal medication and agricultural chemicals
- Milk hygiene and safety
- Environmental management
- Personnel and people
- Treatment and hygiene registers
- Required registers and records

Since June 2009, all of Clover's milk producers have participated in the BFP programme. Compliance is assured through regular external audits and producers representing 99,85% of Clover's milk intake passed the audits.

Clover has integrated the above mentioned BFP programme into a much broader Clover Sustainable Dairy Model ("CSDM") and the details of this programme were captured into a user friendly Microsoft Excel model, with the assistance of Volition. This model is now ready for implementation and given the complex and evolving nature of the programme, Clover intends phasing in the implementation over a number of years.

The preliminary focus areas are:

- Herd management, including managing of greenhouse gas ("GHG") emissions.
- Animal feed, pasture and soil management, including GHG emissions and retention.
- Water management and treatment.
- Animal medication and agricultural chemicals.
- Dairy parlour and equipment (including infrastructure, hygiene and safety).
- Milk composition and quality.

- Environmental management, manure handling and bio-diversity, including GHG emissions and reduction thereof
- Energy management and utilisation of alternative energy resources for the reduction of GHG emissions
- Bio-security, with the main focus on disease control
- Personnel and people

• Occupational Health and Safety

Employees can only operate efficiently and effectively in a safe and healthy working environment. Formal health and safety policies are in place as

well as systems and processes to implement and monitor these. There is a standard health and safety procedure for every potentially dangerous substance or operation in the workplace.

All of Clover's production facilities and major distribution facilities were audited by an accredited external party for safety during the review period. Measures complying with ISO14000 (Environmental Management) and the Occupational Health and Safety Act ("OHS") were used. Audits are conducted yearly to monitor continuous improvement.

The following results were achieved (as a percentage of compliance with OHS):

Site	Safety % 2013	Safety % 2012	Difference
Frankfort	87	85	↑
Heilbron	88	86	↑
Clayville	97	91	↑
Lichtenburg	93	93	→
Queensburgh	93	94	↓
Estcourt	94	89	↑
Bethlehem	94	92	↑
Parow	94	92	↑
Port Elizabeth	90	89	↑
Mayfair	Not audited*	92	→

Clover aims to achieve a 95% compliance rate over the next two years.

* Facility is in process of being closed down as part of Clover's Cielo Blu project.

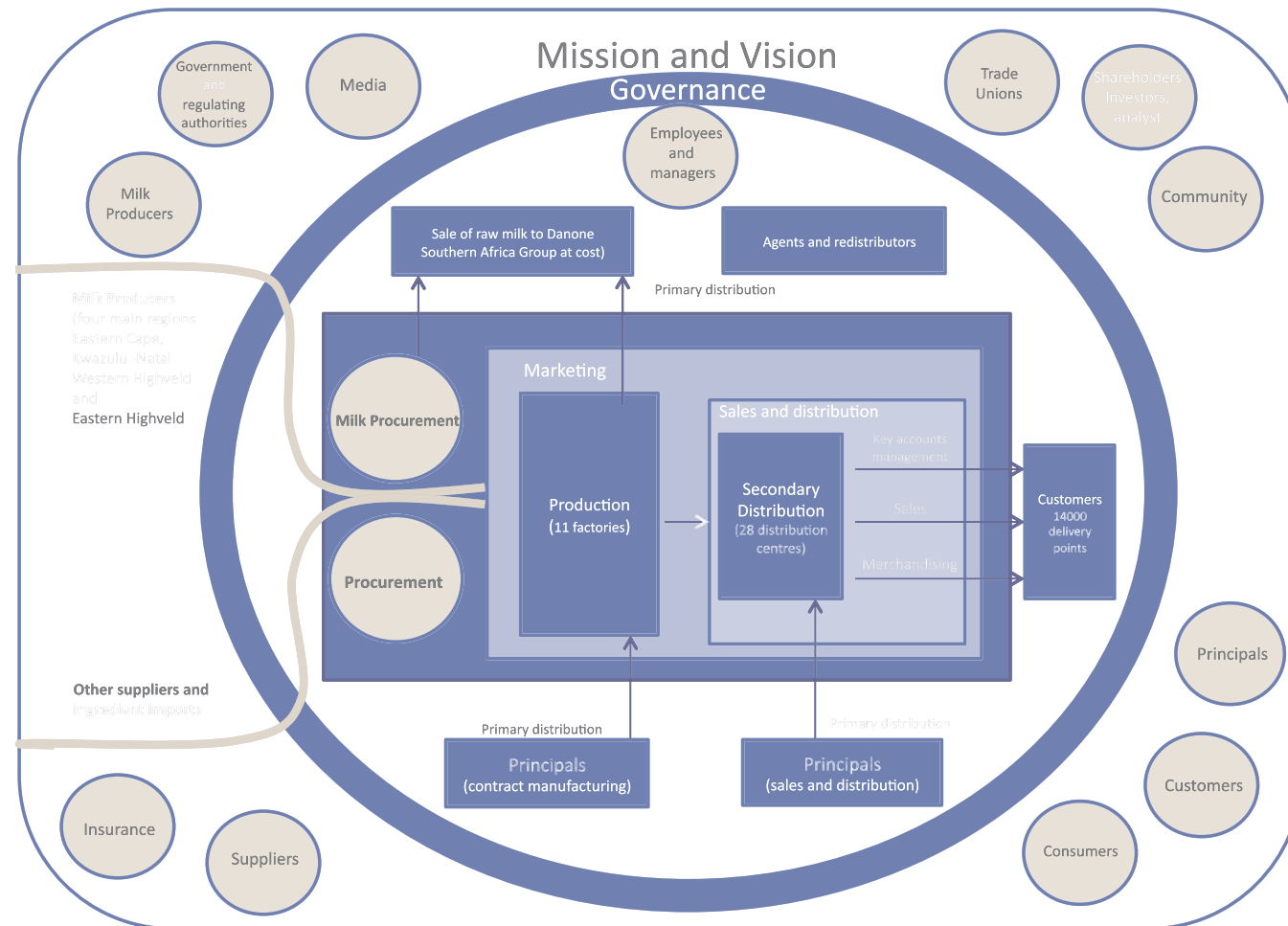
Governing stakeholder relationships/ consumer relationships

Throughout the 2013 financial year the Group has actively engaged with all its key stakeholders. Management have identified all material stakeholders as well as their legitimate interests in and expectations of the Group on a continuous basis as stakeholders' interests in the Group are dynamic and subject to change. Once stakeholders are identified, management decides through consultation with the various stakeholder groups how to further engage with each constituency. This process forms part of the Group's risk management framework.

As a result of Clover's diverse business model, Clover interacts through a wide range of functions within the business with various stakeholder groupings on an ongoing basis. The Clover stakeholders that have been identified are all stakeholder groups that can materially influence the attainment of Clover's strategic objectives, but also more specifically it is those groups, individuals or entities, who can be affected by the actions and operations of Clover or on the contrary who's operations can materially impact on Clover's operations.

Amongst all the major stakeholder groupings identified, Clover has a distinct criterion for its strategic stakeholder partners whose relationships are required for the Group to attain its future strategic objectives.

Clover's material stakeholders



Stakeholder engagement

Stakeholder Group	How we engage with our stakeholders	Their contribution to value creation	What our stakeholders expect from us	What concerns our stakeholders	Method of Governance
Communities, traditional and civic society	Direct interaction through various corporate social investment initiatives and environmental campaigns in various communities	Participation with the community affords Clover the opportunity to understand their needs and to further align our business in a way that improves the lives of our communities at large	Ongoing commitment to our core strategic social investment initiatives adding to the wellbeing of the community	<ul style="list-style-type: none"> Consideration of community interests Corporate social investment and donations Preferential procurement policy Clover Mama Afrika 	Corporate Governance policies
Consumers	Promotions and community-based initiatives, social media, Clover consumer centre, Consumer Goods Council	Loyal consumers continued support of their most admired brands and trusted products	Providing high quality and trusted products of their most admired brands in fulfilling consumers' needs	<ul style="list-style-type: none"> Research in gaining consumer insights in product categories Regular communication on all core brands via social media Effective consumer centre dealing with complaints and enquiries GDA table (Guideline daily amount) informs consumers of nutritional values in Clover products Cost competitiveness of products Food safety standards 	Social media policy, Consumer crises policy, Competition Law policy, product quality assurance programmes
Customers/Trade	Meetings, conferences and workshops, CSC taking orders from trade	Extensive retailer footprint providing the basis for continued growth. Clover's brand expansion through retail expansion into Africa	Providing good quality products at competitive prices	<ul style="list-style-type: none"> Quality of products Effective product stewardship Effective merchandising services Valued partnerships to drive efficiency and continued future growth Promotional activities Trading terms Category expansion Cost efficiencies 	Service level agreements

Stakeholder engagement (continued)

Stakeholder Group	How we engage with our stakeholders	Their contribution to value creation	What our stakeholders expect from us	What concerns our stakeholders	Method of Governance
Employees/ Management	Intranet, CE briefs, management and general staff briefings, Corporate bi-monthly newsletter(In Clover), workshops and conferences, training programmes, notice boards, intranet communication and performance reviews	Employees acting in accordance with Clover's values of respect, integrity, fairness and responsibility form the foundation of our business. By providing Clover employees timely updated business information and relevant strategic information, Clover would embed its strategy while achieving company objectives	A stimulating and gratifying work environment, while offering prospects to meet career growth aspirations	<ul style="list-style-type: none"> Health and safety Ongoing training and development Open communication between employees and managers Transformation in line with EE Plan Access to HIV counselling and employee wellness programmes 	SHE Policy, EE Plan, Employment policy
Government and regulating authorities	Personal meetings, written and verbal communication, through business organisations, Parliamentary portfolio committees	Government gives us our licence to operate and provides the enabling regulatory framework	Continued contribution to the economic growth and social upliftment of the communities in which we operate. Exercise good corporate governance practices while ensuring compliance with all applicable legislation	<ul style="list-style-type: none"> Increased contribution to the South African economy, including job creation and youth development Good corporate citizenship Timeous payments of taxes Empowerment, transformation and adherence to the revised BEE codes Reduction of energy consumption Disclosure and management of carbon emissions Provide input on policy changes in the agricultural sector and food security 	Public participation
Insurers	Meetings and site surveys	Ensure Clover has insurance cover for material insurable loss events	Open and transparent communication enabling insurers to assess risk appropriately	<ul style="list-style-type: none"> Adequacy of fire protection measures Maintenance of fire protection equipment 	Insurance policies
Media	Media statements and briefings, Social media pages	The media contributes in sustaining our brand reputation and increase awareness on new products, community development programmes and changes in our business strategy	Good Corporate Citizenship	<ul style="list-style-type: none"> Transparent and responsible reporting Non-compliance to legislation 	Protocol to respond to media set in social media policy

Stakeholder Group	How we engage with our stakeholders	Their contribution to value creation	What our stakeholders expect from us	What concerns our stakeholders	Method of Governance
Milk producers	Circulars, regional individual and group meetings with producers, media and the Clover producer forums	Clover's milk producers provide good quality raw milk used in manufacturing of our dairy products	A stable market for milk produced for delivery to Clover	<ul style="list-style-type: none"> Large fluctuations in milk prices Increases in farm overhead costs Land reform 	Producer agreements
Principals	Contract and service level agreements, meetings, transactional information integrated via respective ERP systems	Participation in growing the footprint of retailers while achieving economies of scale and reducing costs in the supply chain	Timely delivery of ordered product with professional in store merchandising	Clover not meeting the agreed service levels in distribution and merchandising activities	Service Level agreements
Shareholders, investors and analysts	Investor presentations and road shows, circulars to shareholders, Integrated Annual Report, Annual General Meeting, Press releases, announcements and notifications through SENS, Clover website	Investors provide the financial capital necessary to sustain growth. Shareholders are encouraged to attend the company's annual general meeting to vote on resolutions and to discuss relevant issues with the company's directors and management	Providing sustained returns on investment by achieving business objectives through delivery on embedded strategy, sound risk management identifying strategic growth opportunities and good governance practices	<ul style="list-style-type: none"> Delivering consistently superior financial results for sustainable growth Leadership and strategic direction seizing strategic opportunities Policies and procedures ensuring governance i.e. ERM Policy Corporate governance and ethics Progress with project pipeline and future growth projects Capital expenditure for current and future periods Effectiveness of Risk management process Stability of IT systems 	Price sensitive information policy, Insider trading policy, ERM policy, Governance policy
Suppliers and service providers	Supplier meetings, site visits, performance evaluation and audits, business association meetings	Our suppliers provide us with good quality raw materials and services that enable us to produce quality products for our consumers	Conducting business in a transparent manner that is mutually beneficial and sustainable	<ul style="list-style-type: none"> Long-term security of supply Effectiveness of planned procure-to-pay process Preferential procurement Efficiency with imports 	Procurement policies
Trade unions	Regular meetings with Unions and collective bargaining forums	To engage organised labour in a positive manner on matters affecting their members as well as matters of mutual interest	Positive work relationships in dealing with matters sensibly during the negotiation process	Provision of competitive remuneration packages and safe working conditions	Remco, collective bargaining agreements

Consumer relationships, advertising, public relations and compliance to consumer protection laws

Regulation 43(5)(a)(iv) of the Companies Act (Act 71 of 2008) requires companies to monitor their activities around consumer relationships including the company's advertising, public relations and compliance with consumer protection laws.

Consumer relationships

The Group's strong and honest relationships with its consumers, principals, retail and wholesale businesses, agents and distributors, continued during the year under review. This ensures that the Group's products reach consumers throughout South Africa in good condition and at market related prices in a very competitive market. Clover's emphasis on quality products is strongly embedded in the quality raw milk which the Group procures from its producers.

Consumer relations are managed through the Clover Consumer Centre ("CCC"). The CCC strives to consistently service our consumers' expectations and needs by demonstrating the required respect for their needs and opinions. All complaints and enquiries are handled professionally by trained consultants to ensure that the image of Clover, Clover's brand names and services are protected, while ensuring compliance with the Consumer Protection Act. As required by the Consumer Protection Act, a procedure is in place and will be applied in situations where a serious risk or threat exists for Clover in general, Clover's brand names or products, Clover's personnel or on possible environmental impact.

Type of call	Description
Priority 1	Critical calls <ul style="list-style-type: none"> Complaint which can: <ul style="list-style-type: none"> Damage the image of Clover or the Clover brand name. Threaten the health or safety of the consumer and/or Clover personnel. Hold a contamination threat to the environment. Result in a consumer suffering damages as a result of a Clover product. Possibly result in negative publication in the media. Possibly result in legal action against Clover. Possibly result in the consumer referring the matter to the Consumer Council.
Priority 2	Client requests feedback in writing <p>The complaint receives urgent attention and the consumer is kept informed by the head of the Consumer Centre until such time as the investigation is completed and complies with the requirements of the consumer.</p>
Priority 3	Client wants to speak with manager <p>Complaints, which are not satisfactorily dealt with by the consultant and where the consumer insists on communicating with the head of the Consumer Centre, the complaint must be escalated to her for her attention.</p>
Priority 4	Completed by consultants <p>Complaints are attended to by the consultant with the information at hand and no further escalation of the complaint/incident is necessary.</p>

Consumer engagement and the Way Better philosophy

Clover's corporate strategy is to build onto existing competencies within the Group and to establish a culture of exceptional performance with a view to creating a platform for future market expansion. Key to all of Clover's activities is the expansion of capacities to share in the strong growth in consumption in the product segments in which it has a leading market share. Clover has identified a unique set of strategic pillars as disclosed on page 11 on which the success of the business is founded. The philosophy behind the Way Better initiative is therefore more than a marketing campaign. It represents a cultural step-change in seeking optimal ways of delivering on the corporate strategy and is aimed at setting new standards in best practice and to attract the best in the industry to Clover. The Way Better metaphor was created in order to engage and introduce Clover's consumers to this enhanced approach to doing business. Although primarily a marketing campaign, Clover Way Better draws on Clover's position as a market leader that innovatively adds value through convenience and quality as highlighted by the number of ideas and compliments that we received during the year.

Public Relations

Public Relations within Clover is managed through the Corporate Services department. No Clover employee may comment or conduct any interviews with the media on behalf of Clover. Media communication in Clover is restricted to two executive members namely Johann Vorster (Chief Executive), Jacques Botha (Chief Financial Officer) and Jacques van Heerden (Company Secretary). Written communications are outsourced to an external agency.

Compliance with Consumer Protection Laws

The Group has taken proactive steps to ensure that it is fully prepared for the application of the Consumer Protection Act ("CPA"). High-level induction programmes to key individuals in the Group on the potential effect of the application of the CPA are ongoing. The process of establishing a CPA Centre of Excellence is in progress which will enable Clover to maintain its commitment towards compliance with laws and regulations.

The marketing department provides the Social and Ethics Committee with a regular reports of its activities to enable the Social and Ethics Committee to monitor compliance to CPA. Furthermore logs are maintained for any promotional and trade coupon promotions in line with the CPA: Trade coupon and promotion policy, which are also reported to the Social and Ethics Committee.

The Company Secretary together with the Group Manager: Product Innovation and Technology are responsible for the annual review of the company's compliance with regards to the following acts:

- Consumer Protection Act.
- Food stuff, cosmetics and disinfectants Act.
- Other labelling legislation.

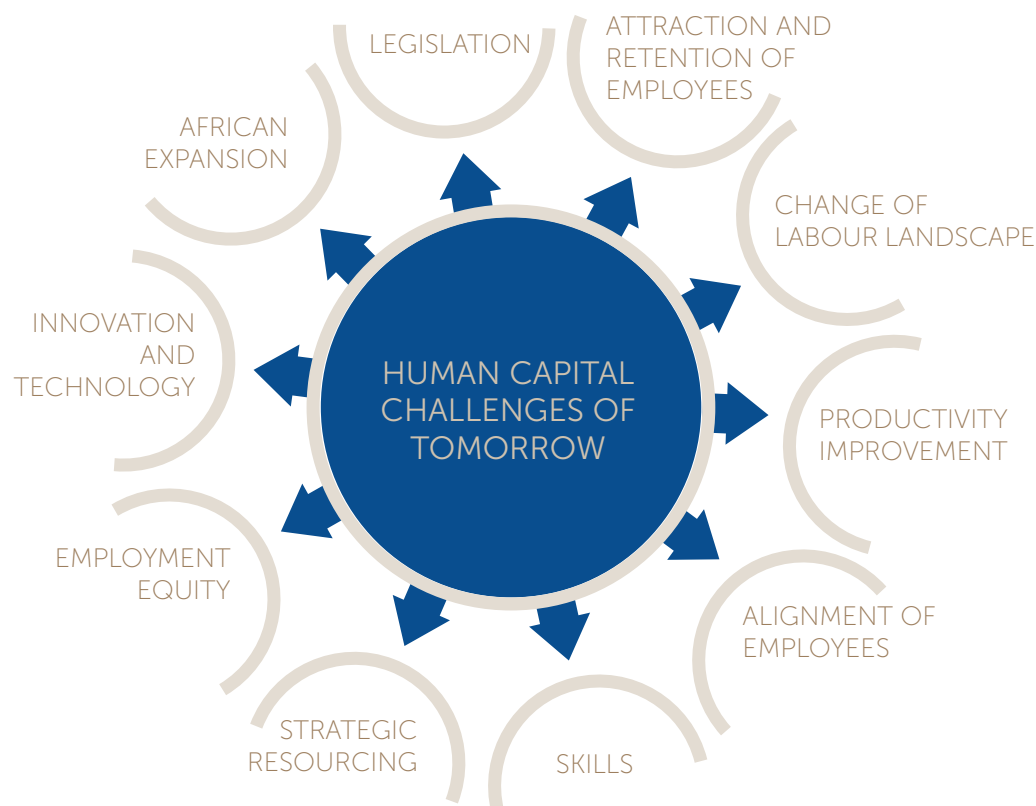
Labour and employment

Project Driven

During the financial year, Clover launched Project Driven which outlines the broad strategy for addressing the Human Capital's response to:

Attraction and retention of employees

Clover recognises that there is a limited pool of skilled resources available, and as part of our "Way Better" and "Driven" campaigns, we aim to enhance the attraction and retention of employees. Achieving our Vision and Mission is largely dependent on Clover's ability to attract and retain high-calibre individuals.



Change of the labour landscape

Clover recognises the need to assess and respond to the dynamics in the social and labour environment on an ongoing basis. Special focus is placed on optimising industrial relations platforms at different levels in the Company. At Clover, we respect the rights of our employees.

Productivity improvement

Productivity and continuous improvement initiatives are part of the Clover culture. Through Project Driven there is renewed focus on team performance, multiskilling, variable pay opportunities and a number of other Way Better initiatives.

Alignment of employees

We believe the alignment of employees is critical for business success, and to build a culture of exceptional performance. Our approach towards performance management and the mechanisms that support individual and team performance are being reviewed. A range of communication platforms are used to enhance alignment – examples include management breakaway sessions, team meetings, in-house publications, union meetings, etc.

Skills

To secure Clover's position as one of southern Africa's leading fast moving consumer goods companies, the Group proactively engages in the development of employees in all disciplines.

Specific focus has been on Merchandiser Learnerships, technical training in our production facilities, the upskilling of sales personnel and management and leadership development. Financial assistance for study purposes was further extended, and a number of internships were introduced. Going forward, it is acknowledged that a range of new skill sets will be required. This will necessitate renewed focus on fast tracking, coaching and mentoring of young talent.

Strategic resourcing

The dynamic environment in which we operate and our expansion plans demand that we review our resourcing strategies. Project "Driven" will enhance how Clover attracts, engages, motivates and rewards our workforce, so as to maximise the likelihood of achieving our vision through developing and reinforcing a shared mindset.

Employment equity

The company fully supports employment equity in the workplace and various measures are in place to assist in reaching employment equity objectives. These include bursaries, internships and other employee development initiatives. (For further details refer to paragraph 4.3 above) as highlighted in the Employment Equity report.

Innovation and technology

We encourage innovation in Clover and acknowledge the need to equip personnel with technology that will enhance performance. A number of projects that will result in new generation business systems being introduced, are in progress.

Africa expansion

Our decision to exploit opportunities which exist in Africa are placing new demands on the business. The Human Resources function is assisting with the process of manning these operations.

Legislation

Clover is committed to conducting its business activities lawfully and ethically. To ensure compliance with legislation, measures are in place and regularly reinforced.

Clover's strategy for continued sustainable development

● Economic viability

In order to remain economically viable, Clover needs to continuously evolve its business, partnerships and products. During the review period, Clover continued with its strategy of investing in and concentrating on branded and value-added products.

During the period under review, Clover commenced with the final phase of project Cielo Blu, the Group's capital expansion and repositioning programme commissioned in 2011, with the move of the Mayfair beverages factory into the Clayville facility. The relocation of the Group's dairy equipment to coastal regions has been completed and has drastically reduced supply chain management complications faced in the prior year. The savings from Project Cielo Blu's capacity and efficiency improvements are delivering against expectation and are expected to fully accrue to Clover over the next year.

Cielo Blu has made a significant impact on the amount of fuel used for transporting product. Prior to the relocation of the production facilities closer to the milk source, Clover had to transport raw milk in specialised trucks to the production facilities. Due to their specialised nature, these trucks carried no load on the return leg.

With production facilities closer to the milk source, pre-packed products can now be transported on conventional trucks, with a second payload on the return leg, significantly reducing Clover's transportation costs.

● Sustainable supply

● Sustainable milk supply

Clover is one of few large dairy processors who have a long-standing history of purchasing milk from previously disadvantaged producers. Economic factors and sustainable milk quality are the largest barriers to entry for these farmers. Likewise, a number of Black Economic Empowerment ("BEE") initiatives have failed due to a lack in expertise, support and dedication at farm level. There are, however a number of very good examples of commercial producers partnering with communities and labour. Most of these projects were initiated by Amadlelo Agri (www.amadlelo.co.za) and are sustainable.

Sustainable supply is ensured through Clover's Unique Milk Procurement System (CUMPS) and the Company pays a market related price for raw milk. The Best Farming Practice ("BFP") programme further assists producers to increase efficiency and become more sustainable.

The downward trend in the Group's milk producer numbers is a result of continuous consolidation in the primary industry and is not a threat to the sustainability of milk supply in the short- to medium term, but does have an impact on job creation, as bigger producers tend to mechanise more. The consolidation of milk producers and high barriers to entry, especially for emerging farmers is not in the best interest of rural development or job creation. It is therefore very important for the industry and government to find a way of ensuring a viable agricultural sector and dairy industry.

Sustainable milk supply

Description	2013	2012	2011	2010	2009
Litres of milk procured (Million litres)	667,7	648,2	652,4	608,2	638,7
Litres of raw milk transported per kilometre	70,3	69,0	73,4	80,0	88,0
Number of milk producers who supplied milk to Clover during the year	240	258	293	309	353
Estimated number of employees employed by above producers*	3 637	3 738	4 102	4 326	4 924
Estimated number of dependants reliant on income received from above employees*	13 656	18 690	20 510	21 630	24 710

* The number of employees is based on previous production cost survey statistics.

** The number of dependants is based on feedback from producers.


Future

Clover is cognisant of the fact that integrated reporting is a phased approach. The Group continues to collect, collate and report on an increasing number of key sustainability performance data to enhance the overall quality of Clover's performance in this regard.

The Group remains committed to continuous improvement in all matters that affect the sustainability of Clover and its activities.

Reporting

This Report of the Social and Ethics Committee will be presented by one of its members to the Company's Annual General Meeting. In the opinion of the members of the Committee this report fairly presents the standing of the Company and Group in relation to the matters specified in regulation 43 to the Companies Act 2008 for the year ended 30 June 2013.



TA Wixley
Chairman



Cielo Blu focus Pinetown production

- Installed a steriliser (18 000 litres/hr).
- Installed aseptic tank storage.
- Installed a UHT filling line (1 000 Slimline) bringing the total to 4.
- Upgraded utilities.
- Plant capacity increased by 30m litres per year.
- Created 14 additional jobs.