

COMPANIES ACT AND KING III

RESPONSIBILITY TO ENSURE GOOD GOVERNANCE

Good corporate governance underpins transparency, fairness, integrity and accountability in Clover's daily interactions with all stakeholders and the environment. The underlying objective of governance is to counterbalance the interests of investors, consumers, producers, the environment, employees, communities, government and any other groups impacted by the Group's business, safeguarding our sustainability.

STATEMENT OF COMPLIANCE

The Board endorses the King Code of Governance Principles for South Africa 2009 King III or ("the Code") and has satisfied itself that Clover has conformed throughout the reporting period to all the principles of the Code and the Listings Requirements of the JSE wherever practical and possible. Where Clover has partially complied or not complied with these provisions, the Group has provided motivations and reasons, as indicated in the King III index on page 50 of this report.

ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP

The Board has adopted a Code of Ethics which is continuously reviewed and updated as required. This code is used as a benchmark against which to manage the business, taking into consideration the social, political and operational environments in which the business conducts itself.

As an iconic brand operating within the branded consumer goods industry, Clover is aware of the importance of its reputation and protects this.

During the reporting period, no material ethical leadership or corporate citizenship deficiencies were noted. The Board is responsible for Clover's compliance with the Code of Ethics. It has delegated the responsibility of oversight and monitoring to the Audit and Risk Committee as well as the Social and Ethics Committee, which are both sub-committees of the Board.

These Committees monitor and measure compliance through various reporting channels, such as:

- Its Internal Audit department, outsourced to KPMG;
- The whistle blower hotline; and
- Clover's Competition Law Centre of Excellence.

No requests for information in terms of the Promotion of Access to Information Act were received during the reporting period.

Clover complied in all material aspects with all relevant legislation and was not subject to any material penalties, fines or criminal procedures.

GOVERNANCE, RISK AND COMPLIANCE CONSIDERATIONS

COMPANIES ACT: REGULATION 43

*Social and Economic Development

Good corporate citizenship

*Environmental, Health and Public Safety

*Consumer relationship

*Labour and employment

**Dealt with in the Report on Six Capitals.*

REPORT ON GOVERNANCE, RISK AND COMPLIANCE

Ethical leadership and corporate citizenship

Board and Directors

Audit Committee

The governance of risk

Governance of Information Technology (IT)

Compliance with laws, codes, rules and standards

Internal Audit

Integrated reporting

KING III

Ethical leadership and corporate citizenship

Board and Directors

Audit Committee

The governance of risk

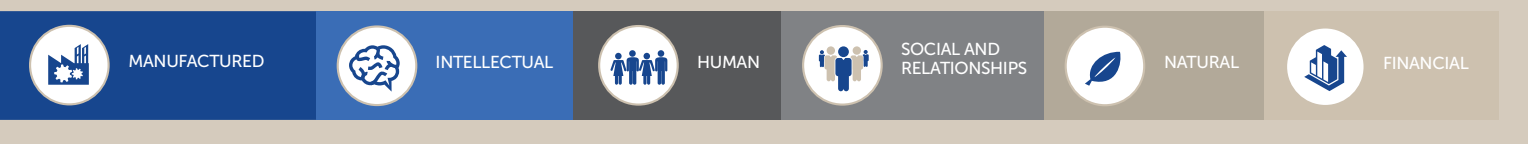
IT Governance

Compliance with laws, codes, rules and standards

*Governing stakeholder relationships

Internal Audit

Integrated reporting and disclosure



▶▶ **SIX CAPITALS**

BOARD AND DIRECTORS

The Board is ultimately responsible for effective corporate governance.

The Board's responsibilities are formalised by way of a charter, which is reviewed on an annual basis. All Board sub-committees operate under Board approved mandates and terms of reference. Save for the Executive and Nomination Committees, all other committees are chaired by Independent Non-executive Directors.

The Board

The Board is accountable to shareholders and ultimately responsible for the management of Clover's business, including determining strategies and policies. The Board is also responsible for approving the Group's financial objectives and targets.

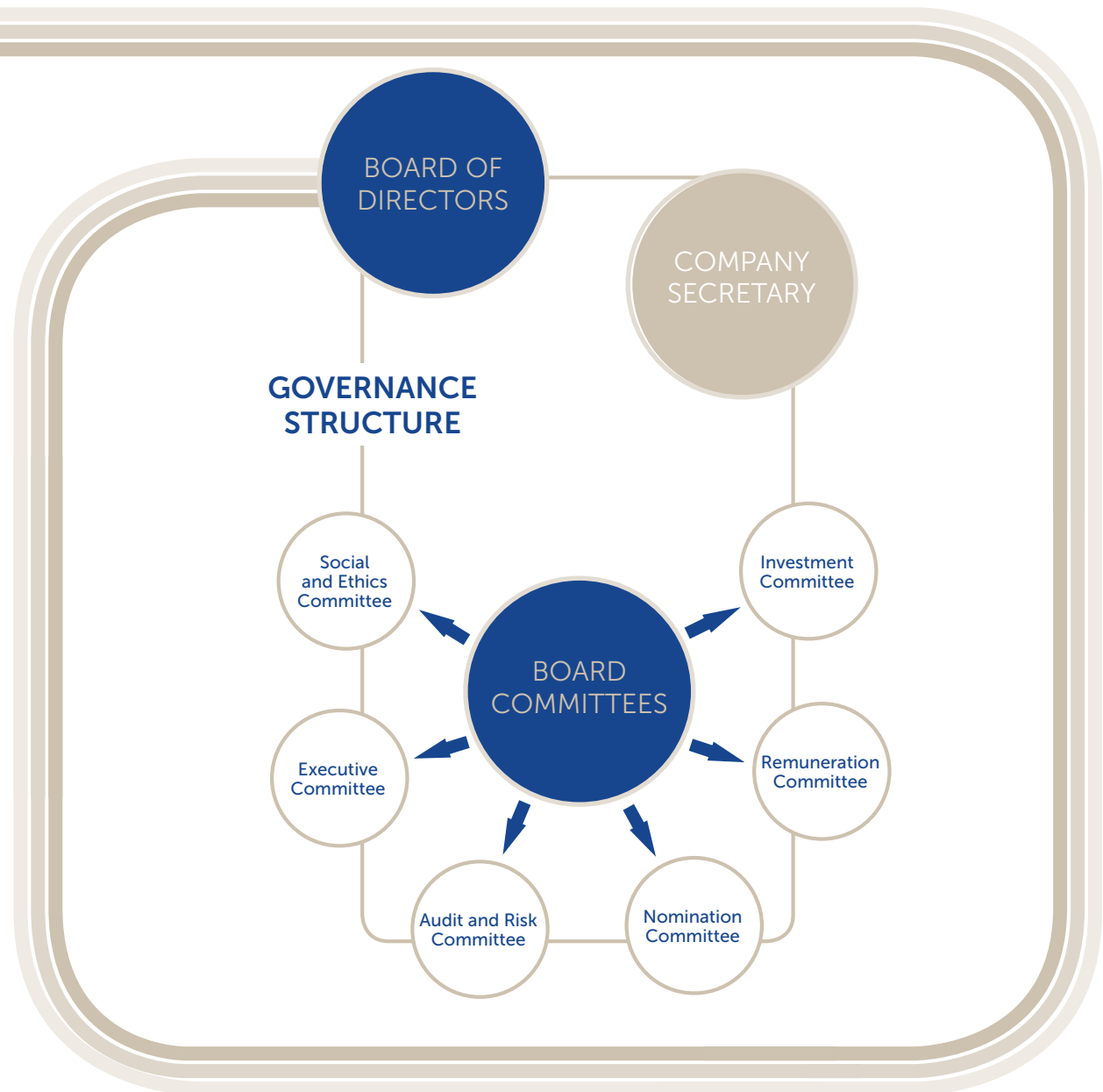
Although members of the Board are appointed by the Company's shareholders, the Board has the authority to appoint directors to fill any vacancy that may arise from time to time. These appointments are ratified by shareholders at the Annual General Meeting.

Directors are appointed based on their specific skills set, industry expertise and experience as well as the overall level of contribution they can make to the activities of the Group. The Nomination Committee, as a sub-committee of the Board, has been tasked with identifying and recommending suitable candidates for the Board's consideration through a formal process. Cognisance is taken of the Group's overall empowerment and transformation drives in this regard.

New appointees are appropriately familiarised with the Group's business through a formal induction programme.

The day-to-day business activities of the Company are the responsibilities of the Executive Committee. This Committee is responsible for ensuring that Board decisions are effectively implemented in line with its mandates.

Clover's Memorandum of Incorporation gives the Board the authority to indemnify directors. Deeds of indemnification have been issued to all directors and prescribed officers of Clover, to the extent permitted by the Companies Act. During the reporting period, appropriate directors' and officers' liability insurance was in place.





Board composition

At the end of the review period, the Board consisted of three Executive Directors and eight Non-executive Directors, five of whom are independent.

Details of the Directors are available on pages 16 to 18 of this report. In contrast with the prior year, Clover's Board now consists of a majority of Non-executive Directors of which a majority is independent, entrenching the balance of power and authority at Board level. Mr. TA Wixley continues in his capacity as Lead Independent Director. No individual director has unfettered powers of decision-making.

Director	Board		Audit and Risk Committee		Remuneration Committee		Nomination Committee		Social and Ethics Committee		Investment Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
Independent non-executive												
TA Wixley	4	4	5	5	4	4	1	1	4	4	2	2
Dr. SF Booysen	4	4	4	5	4	4	1	1	4	4	2	2
JNS du Plessis	4	4	4	5	4	4						
NV Mokhesi ⁵	3	3							2	2		
NP Mageza [#]	1	2	2	3								
B Ngonyama ⁵	3	3	2	2								
Non-executive												
WI Büchner	4	4	5	5	4	4	1	1	4	4	2	2
MG Elliott [#]	1	2										
Dr. JC Hendriks [#]	3	3							2	3		
NA Smith	4	4									2	2
PR Griffin ⁵	1	1										
Executive												
JH Vorster	4	4										
LJ Botha	4	4										
Dr. CP Lerm	4	4										

A = Number of meetings held during the period the Director was a member of the Board/Committee

B = Number of meetings attended during the period the Director was a member of the Board/Committee

[#] During the year under review the following directors retired:

– MG Elliott and NP Mageza with effect from 26 November 2013

– JC Hendriks with effect from 13 March 2014

⁵ The following directors were appointed to the Board during the year under review:

– B Ngonyama and NV Mokhesi with effect from 26 November 2013

– PR Griffin with effect from 13 March 2014

Company Secretary

The Company Secretary is responsible to the Board for ensuring that procedures and regulations are complied with and that Directors are conversant with their duties and responsibilities. The Directors of the Group have unfettered access to the advice and services of the Company Secretary and may seek independent professional advice on the affairs of the Group in appropriate circumstances if they believe that such actions will best serve the interests of the Group.

Having duly considered the above, the Board is comfortable that the Company Secretary maintains an arm's length relationship with the Board and individual directors in terms of Section 3.84(j) of the JSE Listings Requirements.

The Certificate of Jacques van Heerden, the Company Secretary, appears on page 110 of this Integrated Annual Report.

Board Committees

The Board has mandated a number of sub-committees to assist it in discharging its responsibilities. Each sub-committee's scope and nature of authority is stipulated in its terms of reference, which is approved by the Board.

Clover's Audit and Risk Committee as well as its Social and Ethics Committee have certain specific responsibilities in terms of the Companies Act and its Regulations.

Copies of the respective terms of reference are available at www.clover.co.za.

EXECUTIVE COMMITTEE

ER Bosch
Dr. JHF Botes
LJ Botha
Dr. CP Lerm
H Lubbe
MM Palmeiro
JH Vorster – Chairman

Directors, Executive and operational management have clearly defined responsibilities and levels of authorisation for their respective areas of the business. The delegation of these responsibilities is reviewed annually.

The Executive Committee reviews and identifies risk, current operations and the management thereof. This Committee is tasked with developing strategies and recommending policies for the Board's consideration as well as the implementation of the Board's directives and decisions.

AUDIT AND RISK COMMITTEE

Dr. SF Booysen
JNS du Plessis
NP Mageza (retired on 26 November 2013)
B Ngonyama (appointed on 26 November 2013)
TA Wixley – Chairman

The Audit and Risk Committee comprises only Independent Non-executive Directors. The CEO, CFO as well as other Executive and Non-executive Directors attend meetings of the Audit and Risk Committee by invitation.

The report of the Audit and Risk Committee is available on pages 108 to 109 of this report and sets out the responsibilities and delivery of the Committee against these objectives during the review period.

REMUNERATION COMMITTEE

Dr. SF Booysen – Chairman
WI Büchner
JNS du Plessis
TA Wixley

The Chief Executive and other executives attend meetings of the Remuneration Committee as invitees and are recused from discussions pertaining to their own remuneration and benefits. The report of the Remuneration Committee is on pages 54 to 69 and sets out its responsibilities as well as its delivery against these.

SOCIAL AND ETHICS COMMITTEE

SF Booysen
ER Bosch
WI Büchner
Dr. JC Hendriks (retired with effect from 13 March 2014)
N Mokhesi (appointed 26 November 2013)
TA Wixley – Chairman

The mandate of this Committee is specified in Regulation 43(5) of the Companies Act. Its responsibilities and functions are governed by terms of reference which are regularly reviewed and approved by the Board.

As a sub-committee of the Board, the Social and Ethics Committee is tasked with the monitoring, developing, reviewing and improvement of Clover's social, ethical, environmental impact and governance policies against pre-set benchmarks.

In terms of the Committee's work plan, the implementation of certain actions have been prioritised to enable it to fully discharge its statutory functions over a three year period.

This Committee meets four times per year and reports through one of its members to shareholders at the Company's Annual General Meeting on all sustainable matters within its mandate. Its Report on Six Capitals is available on www.clover.co.za as well as on page 70 of this report.

NOMINATION COMMITTEE

Dr. SF Booysen
WI Büchner – Chairman
Dr. JC Hendriks (retired on 13 March 2014)
TA Wixley

The Nomination Committee is tasked with the regular review of the Board's structure, size and composition and to make recommendations in this regard, taking cognisance of the Company's strategies and operating environments.

The Committee is furthermore responsible to ensure that an appropriate balance exists between Executive, Non-executive and Independent Non-executive Directors, as well as for the classification of directors as being independent, in line with King III.

It assists with the identification and nomination of potential new Directors for appointment by the Board and/or shareholders and oversees the induction and training of the Directors.

The Nomination Committee assists the Chairman of the Board with the annual performance reviews of Board and sub-committee members as well as supporting the proper and effective functioning of the Board, including appropriate succession planning.

This Committee meets as and when required during every financial year.

INVESTMENT COMMITTEE

Dr. SF Booysen
 WI Büchner
 NP Mageza (resigned with effect from 26 November 2013)
 NA Smith (appointed 26 November 2013)
 TA Wixley (Lead Independent Director) Chairman

The Investment Committee guides and acts as a sounding Board for the Executive Committee when considering growth plans, especially with regards to mergers and acquisitions. The Investment Committee has been mandated with the authority to approve transactions ranging in value from R50 million to R350 million and meets as and when required during the course of the financial year.

GOVERNANCE OF RISK

Effective risk management is imperative for Clover. The realisation of the Group's strategy depends on it being able to take calculated risks in a manner that does not jeopardise the direct interest of stakeholders, through the alignment of risk and opportunities to the Group's vision and mission. The nature of the Group's risk profile demands that it adopts a prudent approach to corporate risk and its decisions regarding risk tolerance, as well as risk mitigation, reflects this.

Clover's Board assumes full responsibility for the governance of risk through a formal risk management framework. It effects its duties through the Audit and Risk Committee, a sub-committee of the Board which has been appropriately constituted.

In order to ensure a consistent approach to risk management within the Group, the Board approved the Enterprise Wide Risk Management Framework, which defines Clover's risk-bearing capacity, risk appetite and risk tolerance. This policy and framework incorporates the COSO Enterprise Risk Management – Integrated Framework, and generally accepted risk management practices that are reviewed annually for Board approval.

All service organisations, support functions, processes, projects and entities controlled by Clover are required to conform to this policy and framework.

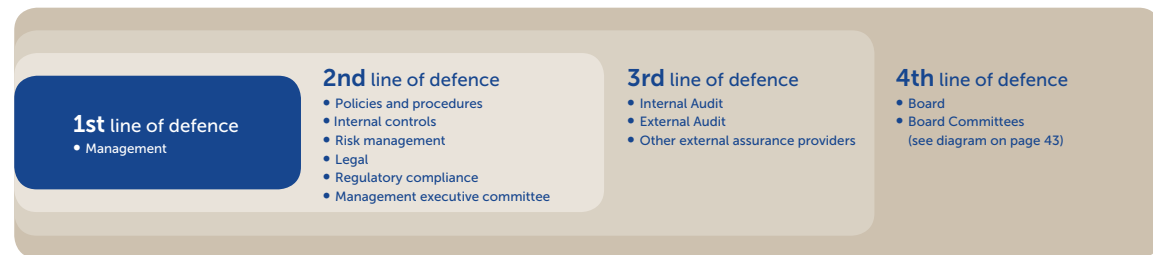
Management continues to build on the integration of risk limits into business processes, including the setting of authorisation thresholds in pursuing strategies within the predetermined levels of risk appetite as well as setting of risk tolerances for operational functions.

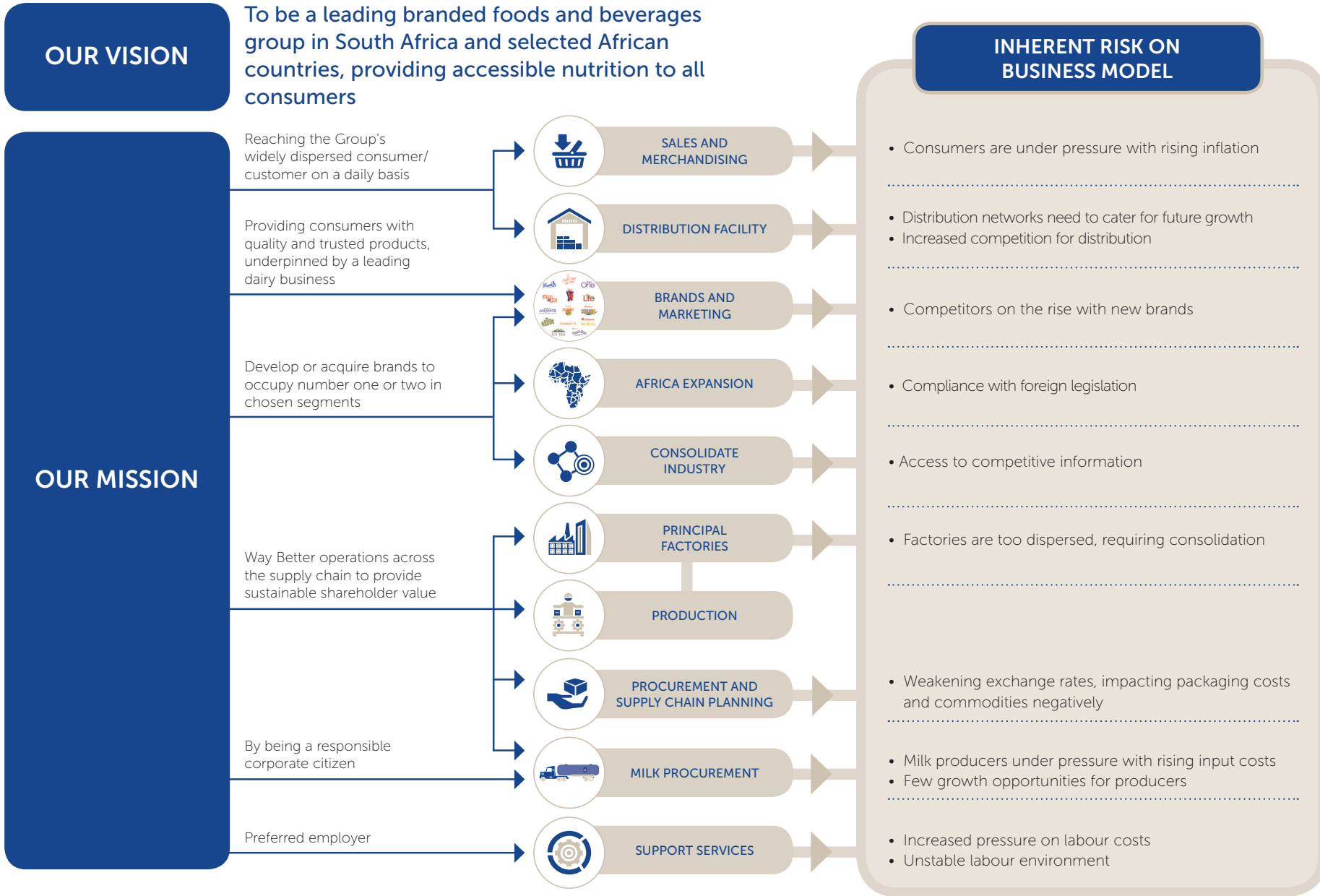
These risk limits are used to compile the risk impact categorisation table for the purpose of measuring and prioritising risk according to materiality of impact values.

The Management Risk Committee meets on a quarterly basis to table key risks facing the Group as well as the status of mitigating action plans. Key risks and actions are reported to the Audit and Risk Committee on a quarterly basis. The current top five risks are:

Risk	Mitigation plan
Non-compliance with legislation	Continuous compliance monitoring and training within the Group where mitigation measures are formalised into written policies.
Maintaining service delivery to principals	Individual principal performance is benchmarked against pre-determined performance criteria. Any substantial deviation in performance is reported to the executive for remedial action. A key focus area for Clover remains enhancing the service offering to principals.
Capacity constraints at certain distribution centres	Capacity analysis is continuously performed Group-wide. Significant capital projects have been completed or are underway to ensure long-term capacity at various key facilities.
Risk of not being a Level 4 B-BBEE contributor, being a requirement to unlock future government grants and incentives	Clover has evaluated its options to migrate to Level 4 B-BBEE contributor by 2015/16 on the existing Agri Sector codes, which are expected to be revised in the latter part of 2014, with effective implementation date uncertain.
Reduction in consumer spending in SA creating pressure on price and volumes, resulting in lower profitability	Continuously monitor sales prices to ensure price premiums are justified. Clover is considering potential actions to drive cost efficiencies.

Clover's Risk Management department in conjunction with our Internal Audit service provider, KPMG, assesses Clover's combined assurance activities as depicted in the diagram below:





COMBINED ASSURANCE

In August 2014 Clover upgraded to the eRMS distribution module overlaying Clover's existing ERP LX environment, which runs on a BPCS ERP platform. In view of the complexity and the magnitude of the risks involved, Clover engaged with EY, the Group's External Auditors, to ensure that the programme governance process is independently assessed and advised on. More specifically, in terms of overall delivery, the risks with the programme governance, risk and delivery management that expose the programme to risks were assessed and advised on. Procedures were performed to highlight these risks and to obtain comfort that adequate controls are in place to meet financial requirements. Furthermore, recommendations were provided on current programme processes, while building a framework for future programme and delivery management.

The Board, assisted by the Audit and Risk Committee, is satisfied that the risk management processes applied during the review period were performing effectively. The Management Risk Committee has not reported any material losses or losses incurred as a result of unpredictable events during the year under review.

Clover's Enterprise Wide Risk Management Framework was independently assessed by KPMG Internal Audit against the principals of the Code as part of Clover's three year rolling plan. KPMG's report with respect to the June 2013 year-end concluded that all essential processes of risk governance appear to be imbedded in a credible manner. The report noted that the Group has implemented strong governance structures and have adopted and implemented various leading risk management practices, policies and processes. A mature risk management approach has been implemented with regards to the assessment, monitoring and reporting of strategic risks and opportunities which are aligned to the Group's vision and mission.

Clover runs ongoing fraud awareness campaigns at branch level across all levels of staff in order to raise awareness of the Group's Ethics Policy, the use of the Ethics Hotline and the fact that all calls to this line are treated confidentially by Deloitte. Tip-offs received are actively investigated, followed-up on and resolved.

The Board assisted by the Audit and Risk Committee, is satisfied with the effectiveness of the risk management process.

GOVERNANCE OF INFORMATION TECHNOLOGY (IT)

The Board is responsible for the overall governance of IT. It effects these duties through the Audit and Risk Committee and various IT Steering Committees through a formal risk management process.

Clover's compliance to its IT governance framework is assured independently by KPMG Internal Audit as part of Clover's three year rolling plan. Business continuity plans in accordance with the Business Continuity Management Policy have been approved by the Board and include a formal project process and/or change control policy and disaster recovery plan for IT and business systems.

The External Auditors review on an annual basis the IT infrastructure and applications which provide support for the financial system.

Due to the complexity in Clover's business environment, traditionally there was no off-the-shelf Enterprise Resource Planning ("ERP") system available for the order-to-cash business cycle. Therefore Clover developed a customised ERP solution for this business process and had to run on two ERP environments, a standardised ERP on BPCS platform and a customised ERP for the order-to-cash business cycle, named IDS, which was also on a BPCS platform.

This legacy customised ERP prevented Clover from upgrading to new ERP versions, which disabled Clover from the opportunity to utilise advanced management reporting solutions and applications available under the latest ERP solutions.

Clover looked at various ERP solutions that would meet its unique requirements and found a tailored version used in international dairy companies suitable to Clover's environment, named Electronic Route Management System (eRMS), which also runs on our existing BPCS platform. Clover successfully replaced the legacy IDS system in August 2014 with the eRMS distribution module thereby standardising Clover to one ERP environment, named ERP LX. The future benefits for Clover include enabling Clover to implement future upgrades as and when these are done as eRMS is updated as part of BPCS. Furthermore, this enables Clover to make use of extensive management reporting and analytics available on the Intelligent Open Network (ION) platform.

COMPLIANCE WITH LAWS, CODES, RULES AND STANDARDS

The responsibility of facilitating compliance throughout the Company has been delegated to the Company Secretary. During the review period, the Board approved Clover's compliance policy.

Clover ensures that all employees are inducted and are made consistently aware of the Group's compliance policies and procedures by way of a compliance manual, which has been reviewed by KPMG's Internal Audit. This manual documents compliant conduct within the Group which is in accordance with the relevant compliance policies and standards. It also documents how applicable laws, regulations and supervisory requirements should be complied with.

Non-adherence to the documented standards will lead to disciplinary action which could lead to dismissal.

During the year under review, Clover continued to enhance its regulatory universe and its documented process to ensure adequate and effective controls.

Compliance with provisions of the Consumer Protection Act and Competition Act

Clover trains its staff and promotes a culture of compliance through educational online training campaigns which raise awareness and understanding of the requirements and obligations of the Competition Act as well as the Consumer Protection Act. It is compulsory for all employees in management roles and those who may be exposed to anticompetitive or collusive behaviour by nature of their position within the Group, to complete the training.

During the review period, more than 686 employees completed the online training and refresher valuations. (2013: 600 employees.)

As referred to previously, Clover established a Competition Law Centre of Excellence ("CLCE") in conjunction with the KPMG Competition Law Advisory Practice in 2012. The CLCE functions as a critical tool to ensure high standards of competition law compliance with Clover.

Apart from various legal proceedings in the ordinary course of business, the Board is satisfied that there are no material pending or threatening legal actions.

Clover and Danone Southern Africa (Proprietary) Limited have agreed to refer certain contractual disputes to arbitration in accordance with the terms and conditions of the Secondary Distribution Agreement and Manufacturing and Packaging Agreement respectively. The matter was heard by the arbitrator at the end of August 2014 and the parties are awaiting the decision of the arbitrator which should be available at the end of September 2014 or early October 2014.

During the review period, Clover complied in all material aspects with all relevant legislation.

Insider trading

The Board adopted Clover's Group Price-Sensitive Information Policy and Group Insider Trading Policy. Compliance with these policies provides reasonable assurance that directors, officers, relevant employees and service suppliers of the Group and its subsidiaries are aware of and comply with the policies' requirements.

Salient features of these policies are:

- No employee of the Group may deal directly or indirectly in Clover's shares on the basis of unpublished price-sensitive information regarding the business;
- No director or officer of the business may disclose trade information of the business;
- Directors and officers are precluded from trading in Clover shares during closed periods or prohibited periods as determined by the Board; and
- Closed periods are imposed from:
 - the end of the first six-month period to the time of the publication of the interim financial results on the Securities Exchange News Service ("SENS"); and
 - the financial year-end date to the time of the publication of the final financial results on SENS.

- Any director wishing to trade in Clover's shares must obtain clearance from the Chairman of the Board or the designated director prior to trading in these shares.

INTERNAL AUDIT

Clover has outsourced its Internal Audit function to KPMG Services (Proprietary) Limited (KPMG Internal Audit). KPMG Internal Audit is responsible for implementing the annual audit plan approved by Clover's Audit and Risk Committee. This Internal Audit function operates under the direction of the Audit and Risk Committee, which approves the scope of work to be performed.

As with any policy or protocol, there are inherent limitations to the effectiveness of any system of internal control due to human error or the deliberate circumvention or overriding of controls. Accordingly, an effective internal control system can provide only reasonable assurance with regards to financial statement preparation and safeguarding of assets.

Clover's internal controls and systems are designed and monitored to provide reasonable assurance regarding the reliability of the financial statements and to protect, verify and maintain accountability for its assets. These controls are based on established policies and procedures, implemented by trained personnel with segregated duties and responsibilities.

Internal control systems are managed by way of a documented organisational structure with segregation of responsibilities as well as established policies and procedures which are communicated throughout the Group. Incumbents are carefully selected, trained and developed to effectively execute their duties.

Significant findings are reported to the Executive Committee as well as the Audit and Risk Committee, with corrective action measures implemented to address identified internal control deficiencies. During the review period, no material breakdowns in internal controls were reported within the key areas reviewed.

EY performed a limited assurance review of management's assessment of internal controls over financial reporting. This was in addition to the Internal Audit conducted by KPMG Internal Audit. No material findings were reported to the Audit and Risk Committee and nothing has come to the Directors' or the auditors' attention that indicates any material breakdown in the effectiveness of the internal controls and systems during the reporting period.

DISCLOSURE OF COMPLIANCE WITH THE CODE

As required by the JSE Listings Requirements, the Board endorses the King Code of Governance Principles for South Africa 2009 and has satisfied itself that the Group has conformed throughout the reporting period to all material aspects of the Code, except where it has applied the principle of "apply or explain" as indicated in the King III index.



Jacques van Heerden
Company Secretary

15 September 2014