




KING III INDEX King III application

 Apply
 Under review/Do not apply

ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP

-  Effective leadership based on an ethical foundation
-  Responsible corporate citizen
-  Effective management of Clover's ethics

BOARDS AND DIRECTORS

-  The Board should act as the focal point for and custodian of corporate governance
-  The Board should appreciate that strategy, risk, performance and sustainability are inseparable
-  The Board should provide effective leadership based on an ethical foundation
-  The Board should ensure that the company is and is seen to be a responsible corporate citizen
-  The Board should ensure that the company's ethics are managed effectively
-  The Board should ensure that the company has an effective and independent audit committee
-  The Board should be responsible for the governance of risk
-  The Board should be responsible for information technology (IT) governance
-  The Board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards
-  The Board should ensure that there is an effective risk-based internal audit
-  The Board should appreciate that stakeholders' perceptions affect the company's reputation
-  The Board should ensure the integrity of the company's Integrated report
-  The Board should report on the effectiveness of the company's system of internal controls
-  The Board and its directors should act in the best interests of the company
-  The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act
-  The Board should elect a chairman of the Board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the Board
-  The Board should appoint the chief executive officer and establish a framework for the delegation of authority
-  The Board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent
-  Directors should be appointed through a formal process
-  The induction of and ongoing training and development of directors should be conducted through formal processes
-  The Board should be assisted by a competent, suitably qualified and experienced company secretary
-  The evaluation of the Board, its committees and the individual directors should be performed every year
-  The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities
-  A governance framework should be agreed between the group and its subsidiary Boards
-  Companies should remunerate directors and executives fairly and responsibly
-  Companies should disclose the remuneration of each individual director and prescribed officer
-  Shareholders should approve the company's remuneration policy

EXCEPTIONS

① *The Chairman of the Board, WI Büchner, is a Non-executive Director who is not independent insofar as he is a milk producer and supplier of raw milk to the Group. In the opinion of the Board, it is in the interests of the Group to maintain a close relationship with its raw milk suppliers and his appointment serves the long-term interests of the Group.*

As recommended by the Code, TA Wixley has been appointed as Lead Independent Director to fulfil the functions of the Chairman whenever a conflict arises and in the other circumstances envisaged in the Code. The role of Chairman and Chief Executive vest in two separate individuals as required by the Code.

② *Until the Group's sustainability reporting systems have matured sufficiently, it is the opinion of the Board that no purpose will be served by having its Report on Six Capitals fully independently assured. Partial combined assurance has been obtained.*

AUDIT COMMITTEE

- Apply
 Under review/Do not apply

- The Board should ensure that the company has an effective and independent audit committee
- Audit committee members should be suitably skilled and experienced independent non-executive directors
- The audit committee should be chaired by an independent non-executive director
- The audit committee should oversee integrated reporting
- The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities
- The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function
- The audit committee should be responsible for overseeing of internal audit
- The audit committee should be an integral component of the risk management process
- The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process
- The audit committee should report to the Board and shareholders on how it has discharged its duties

THE GOVERNANCE OF RISK

- The Board should be responsible for the governance of risk
- The Board should determine the levels of risk tolerance
- The risk committee or audit committee should assist the Board in carrying out its risk responsibilities
- The Board should delegate to management the responsibility to design, implement and monitor the risk management plan
- The Board should ensure that risk assessments are performed on a continual basis
- The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks
- The Board should ensure that management considers and implements appropriate risk responses
- The Board should ensure continual risk monitoring by management
- The Board should receive assurance regarding the effectiveness of the risk management process
- The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders

THE GOVERNANCE OF INFORMATION TECHNOLOGY

- The Board should be responsible for information technology (IT) governance
- IT should be aligned with the performance and sustainability objectives of the company
- The Board should delegate to management the responsibility for the implementation of an IT governance framework
- The Board should monitor and evaluate significant IT investments and expenditure
- IT should form an integral part of the company's risk management
- The Board should ensure that information assets are managed effectively
- A risk committee and audit committee should assist the Board in carrying out its IT responsibilities

COMPLIANCE WITH LAWS, CODES, RULES AND STANDARDS

- The Board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards
- The Board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business
- Compliance risk should form an integral part of the company's risk management process
- The Board should delegate to management the implementation of an effective compliance framework and processes

INTERNAL AUDIT

- The Board should ensure that there is an effective risk based internal audit
- Internal audit should follow a risk based approach to its plan
- Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management
- The audit committee should be responsible for overseeing internal audit
- Internal audit should be strategically positioned to achieve its objective

- Apply
- Under review/Do not apply/partially apply

GOVERNING STAKEHOLDER RELATIONSHIPS

- The Board should appreciate that stakeholders' perceptions affect a company's reputation
- The Board should delegate to management to proactively deal with stakeholder relationships
- The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company
- Companies should ensure the equitable treatment of shareholders
- Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence
- The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible

INTEGRATED REPORTING AND DISCLOSURE

- The Board should ensure the integrity of the company's Integrated report
- Sustainability reporting and disclosure should be integrated with the company's financial reporting
- Sustainability reporting and disclosure should be independently assured