



Clover

Industries Limited

Integrated Report


for the year
ended 30 June 2017






An award winning journey

As the 19th century drew to a close, a group of dairy farmers spread across the fertile Natal Midlands decided to organise themselves by founding a dairy co-operative. Through astute vision and leadership, their humble co-operative grew into South Africa's leading dairy business.

Some 112 years later Clover's shareholders took a giant visionary stride into the future by listing on the JSE on 14 December 2010 to raise the capital needed to grow a way better Clover upon its fundamental dairy base. Clover has since embarked on a value creation journey that in 2017 saw Clover being acclaimed as the most reputable company for a second time in the 2017 South Africa RepTrak® study. Since then, Clover won many other awards as depicted here.

 INTELLECTUAL CAPITAL


- Sunday Times Top Brands:** 
Top 10 overall favourite brand
2014, 2015, 2016
Winner in the Milk and fruit juice categories in 2014, 2015, 2016
- Ask Afrika Icon Brands:** 
Clover Fresh Milk and Clover Krush achieved icon brand status in 2017
7 Category winners in 2017
- Trusted Brand:** 
Winner 2014, 2015
Clover (Dairy category)



MANUFACTURED CAPITAL

- SA Dairy Championship:**
 6 x 1st prizes 2017
 Cheese, Milk, Butter and Flavoured milk categories
 
- Qualité Awards (SA Cheese):**
 Winner 2017
 1906 Extra mature cheddar
 
- Product of the Year award:**
 Winner 2016
 Tropika
 


HUMAN CAPITAL

- Most reputable company in South Africa:**
 1st place 2017: Pulse (improved by 2% (2016))
 
- 2016 South Africa RepTrak® Study**
 1st place 2016 and 2017

NATURAL CAPITAL

- Prism Advertising Awards:**
 Winner 2017
 Category: Environment
 Campaign: #cloverdroughtrelief (Joe Public Ignite)

SOCIAL AND RELATIONSHIP CAPITAL

- Diamond Arrow, Gender Mainstream Award for Empowering Women:**
 Winner 2017, for 10th consecutive year (Mama Afrika)
 

FINANCIAL CAPITAL

- IAS Best Presentation to the Society for Companies:**
 Winner 2014, 2015, 2016, 2017
 Clover small market cap
 

“These awards prove that “Way Better” is not just Clover’s brand promise – it’s how everyone in the Clover value chain actually performs”

Werner Büchner, Chairman of the Board



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Prologue

SETTING THE SCENE

In the 2017 SA RepTrak Pulse reputation survey, conducted by Reputation House, seven of the top 10 companies with the best reputations were in the fast-moving consumer goods ("FMCG") and retail category.

This makes Clover's recognition as the most reputable company in South Africa for the second year running even more noteworthy.

This integrated report is a concise account of the operational and financial affairs of Clover Industries Limited ("Clover" or the "Company" or the "Group") for the financial period 1 July 2016 to 30 June 2017.

It deals with how Clover delivered against stated objectives and the way it executed its strategies. Throughout this integrated report we address Clover's challenges, opportunities and the external factors that impact our operations and the broader communities we serve.

This report also covers the processes through which Clover interacts and communicates with its stakeholders, as well as how the Group has adopted and

applied the principles and practice of sound corporate governance to safeguard the interests of all our stakeholders.

Only matters considered by the Board and executive management as material to the business and its sustainability have been included in this integrated report. More information on the Company, its operations and impact on the environment and communities it serves is available at www.clover.co.za.

Materiality considerations are discussed in more detail on page 12 of this integrated report.

Scope and boundary

This integrated report contains sustainability statements, including statements regarding Clover's intent, belief or current expectations with respect to the Group's business operations, market conditions, results, capital adequacy, provisions and risk management practices.

Readers are cautioned not to place undue reliance on these sustainability statements as forecasts are subject to uncertainty and contingencies outside Clover's control.

While due care has been applied in the preparation of sustainability information, actual results may vary in a materially positive or negative manner.

Clover is under no obligation to publicly release the results of any revisions or updates to these forward-looking statements post the publication date of this report.

The scope of this report covers all operations of Clover and its subsidiaries. On 5 December 2016 Clover advised that it is in the process of restructuring its business to give effect to its stated objective of developing higher margin, value added products in dairy and other related food categories to eliminate its exposure to the cyclicity of its non-value added dairy business. The non-value added dairy business comprises *inter alia* the procurement of raw milk, the selling, marketing and distribution of non-value added fresh milk, ultra-high temperature milk, ultra pasteurised milk, skim milk powder, whole milk and bulk cream, where profits are mainly driven by volumes.

Clover transferred the non-value added dairy business to its wholly owned

subsidiary, Dairy Farmers of South Africa (Pty) Ltd ("DFSA") under a written transfer of business agreement with effect from 1 April 2017. Clover now holds all the "A" shares in DFSA, which constitute 26% of the voting rights of DFSA and the milk producers hold all the "B" shares, constituting 74% of the voting rights in DFSA. The issue of "B" shares to milk producers took place on 1 July 2017.

The Board anticipates that the restructure will allow the Group to have a complete focus on its value-added business, which is aligned to its objectives of:

- Promoting and developing value added products in dairy and other related food categories;
- Expanding its non-alcoholic beverages portfolio; and
- Developing and enhancing its key competencies in brand development, production, distribution and merchandising.

Clover looks forward to a mutually beneficial relationship with DFSA as the restructure will enable milk producers to leverage from the entire value chain associated with the non-value added dairy business.

About this report



The information provided in this integrated report has been guided by local and international requirements



Compliance

The Board has satisfied itself that Clover has conformed throughout the reporting period to all the principles of the King III Code of Governance 2009 (King III) and the JSE listing Requirements, with limited exceptions. Where the Group has partially complied or not complied with these provisions, motivations and reasons were provided as indicated in the King III index which appears on page 72 of this integrated report.

King IV was released in November 2016 and builds on the current principles contained in King III, aligning the approach to integrated thinking across all six capitals, new governance structures, emerging risks and opportunities from new technologies and new reporting and disclosure requirements.

Complying with King IV is a JSE Listings Requirement and effective for financial years commencing from 1 April 2017, and only with regard to integrated reports published on or after 1 October 2017. Clover's Board has concluded a gap analysis and no

material concerns or insufficiencies were identified regarding the Group's current disclosure and application of principles. The new reporting requirements will be adopted during the current reporting period and disclosed in the integrated report for the period ending 30 June 2018.

Legal compliance to Regulation 43 of the Companies Act pertaining to the Social and Ethics Committee and the management of Clover's performance against ethics guidelines are described fully in the Report on Six Capitals. Compliance with Clover's regulatory universe is described under Compliance in the Governance section, on page 64.

Integrated Combined Assurance

All disclosures included in this report are intended to provide meaningful, accurate, complete, transparent and balanced information to stakeholders. The Board, its Committees and management were involved in finalising disclosures made in this Integrated Annual Report and assume responsibility for the information contained

therein. Page 142 elaborates on the combined assurance on the six capitals.

Together with the horizontal and vertical relationships with assurance providers, this integrated, combined assurance model assists the Board in assessing the adequacy of the internal control environment and assessing the integrity of information used for decision-making and reporting. Clover understands that insightful reporting for our shareholders is an important consideration for establishing this assurance model.

Considering the sustainability of Clover's business model and in complying with Regulation 43 of the Companies Act, as well as King III, all material risks are incorporated into Clover's risk universe. These are monitored under Clover's risk management process, as described more comprehensively under the Governance Section of this report.

Statement of Board responsibility

Clover's Board of Directors (the Board) acknowledges its responsibility for ensuring the accuracy of this 2017 Integrated Annual Report. The Board has applied its collective expertise to this report and, in its opinion, this report addresses all material issues and presents an integrated and accurate view of Clover's performance in the year under review.

Based on the recommendations of the Board Committees, the Board approved this integrated report for release on 12 September 2017.

Contact information

We welcome your feedback on this integrated report.

For more information regarding the contents of this report, kindly contact:

Mr Jacques van Heerden, Executive:
Legal, Secretarial and Human Resources at
telephone +27 (0) 11 471 1445.



Navigation board

Throughout this report you will encounter icons representing Clover's specific strategic value drivers. These are placed to assist your easy referencing of key aspects of Clover's value creation process.

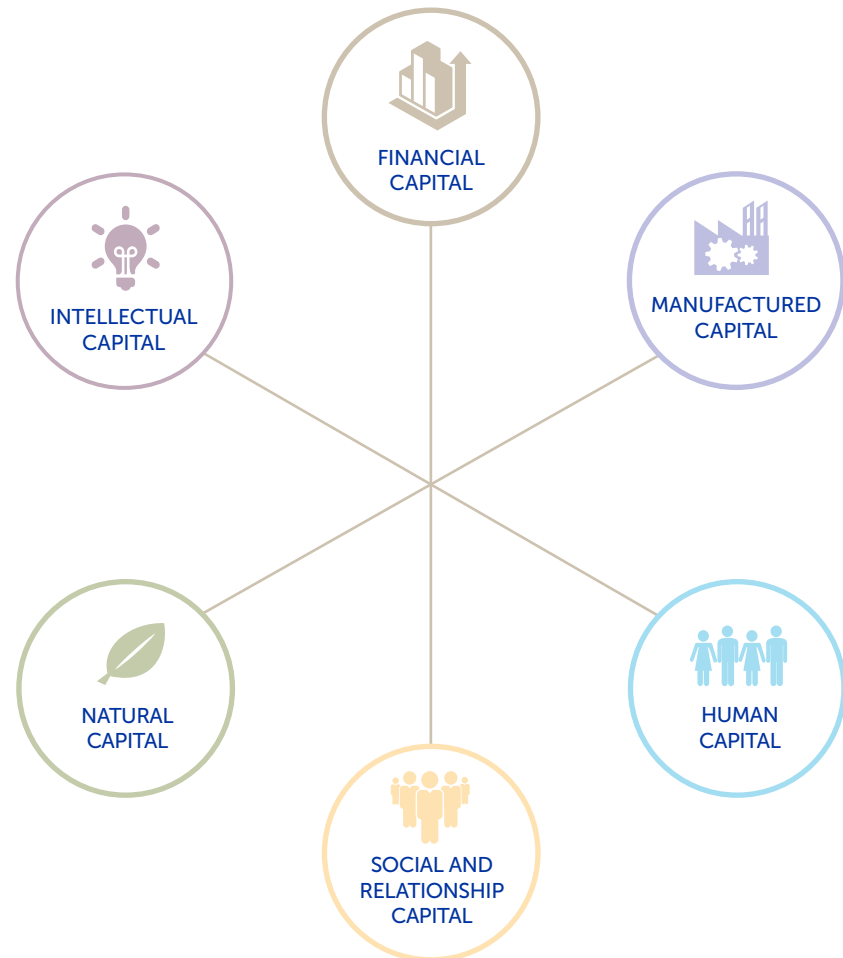
THE SIX CAPITALS

All commercial organisations prioritise and blend various forms of capital to create value and preserve commercial viability. As recommended by the International Integrated Reporting Council (IIRC), Clover defines these capitals as our financial, manufactured, human, social and relationship, natural and intellectual capitals.

The six capitals are stocks of value that flow through Clover's business model to be increased, decreased or transformed into outputs and outcomes. For example, Clover's financial capital will increase in line with our profit, or the capacity of our human capital is raised when employees receive

specific training. On the other hand, a larger training budget for employees may reduce financial capital in the short-term, but the trade-off is that the training should deliver improved financial and other capitals over the medium to long-term.

The sign posts featured here assist in identifying reporting content linked to one or more of Clover's six capitals.



In the spotlight: 2017



FINANCIAL CAPITAL

Revenue
▲ **2,4%**
to R10 billion

HEPS
▼ **66,2%**
to 63,9 cents

Headline earnings
▼ **65,9%**
to R121,6 million

Operating profit
▼ **44,3%**
to R314,5 million

Total dividends per share
▼ **62,8%**
to 24,21 cents



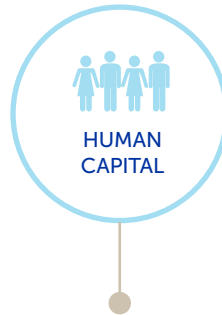
MANUFACTURED CAPITAL

554 million litres
of milk produced
during the year

FSSC 22 000 quality
management system
in process of
implementation

Masakhane sales have
increased by
93%

16 factories
30 887 delivery points
26 distribution centres



HUMAN CAPITAL

Achieved a
level 4 B-BBEE status

93,6% of employees
are permanent

2 101 women
employed

8 175
permanent employees and
558
temporary employees

2 526
permanent employees
trained

R16,4 million
spent on training



INTELLECTUAL CAPITAL

Received 2017 RepTrak®
top award
for **SA's most**
reputable company

Tropika
Brand of the Year
2016

119 years
of experience



NATURAL CAPITAL

Coal consumption intensity
▼ **8,0%**

Electricity consumption
intensity
▼ **7,0%**

Celebrating 6 years
of our **green strategy**

Procured milk from
145
producers



SOCIAL AND RELATIONSHIP CAPITAL

R3,0 million
spent on education,
training and development
(Mama Afrika)

R1,7 million
spent on infrastructure
development
(Mama Afrika)

2 054
beneficiaries trained since
the start of the Clover
Mama Afrika initiative

43 Mamas
across the country

Caring for over
15 500 children
across South Africa



NON-ALCOHOLIC BEVERAGES TROPIKA AND KRUSH

DAIRY FRUIT MIX
MARKET SHARE
increased by
4,9%
for the period

FRUIT JUICE
MARKET SHARE
increased by
1,4%
for the period

NON-ALCOHOLIC
BEVERAGE SEGMENT
contributed
25,2%
to Clover's total sale
of products for the year

Clover's way better story



Clover's vision and mission

OUR VISION

To be a leading branded foods and beverages group in South Africa and other African countries, providing accessible nutrition to all consumers.

OUR MISSION

Clover's mission is ambitious – yet well within reach. For more than a century Clover has steadily built itself up as a premium brand, based on quality products, close alignment to agricultural communities, exemplary service and visionary management.

Listing on the JSE in 2010 brought in fresh sources of capital and the incentive for Clover to restructure into a lean and efficient

business that retains the human touch with clients, communities and our employees.

Nevertheless, setting the pace as a market leader in hotly contested food sectors requires innovation and forward thinking, combined with expert management of every aspect of the Clover business model.

Preferred employer

As a producer of food products consumed by millions of people daily, Clover is a people and community facing business entity. In that role we work hard to attract outstanding people into the Clover culture to infuse the expertise, innovation and passion that will continue driving Clover forwards and upwards.

Being a responsible corporate citizen

Clover endeavours to impact as lightly as possible on the natural environment, given the reality that we must remain competitive. Clover is devoting considerable management time into materially reducing our environmental impacts by evaluating our production processes and motivating our suppliers to reduce their negative environmental impacts. As discussed in the six capitals report later in this document (as issued by Clover's Social and Ethics Committee), Clover is methodically addressing any negative environmental impacts occurring from our procurement, production and distribution operations.



“Way better” operations across the supply chain to promote sustainable shareholder value

To be “way better”, Clover must continuously look beyond “business as usual” processes to find new ways to tweak our business model. As a result, we are introducing new technologies and global best practices to all aspects of the Clover business. Today’s business and consumer markets are evolving with increasing speed, therefore we work hard to remain ahead of change curves.

Occupy number one or number two positions in chosen segments

Clover’s mission required our brands to hold leading positions in their market segments. To achieve these positions, Clover leverages our outstanding marketing, merchandising and distribution functions, while also reducing costs through improved efficiencies. We acquire brands and infrastructure that fit naturally into the Clover portfolio. Clover also moves into other African countries and new markets when these opportunities become viable.

Provide quality and trusted products

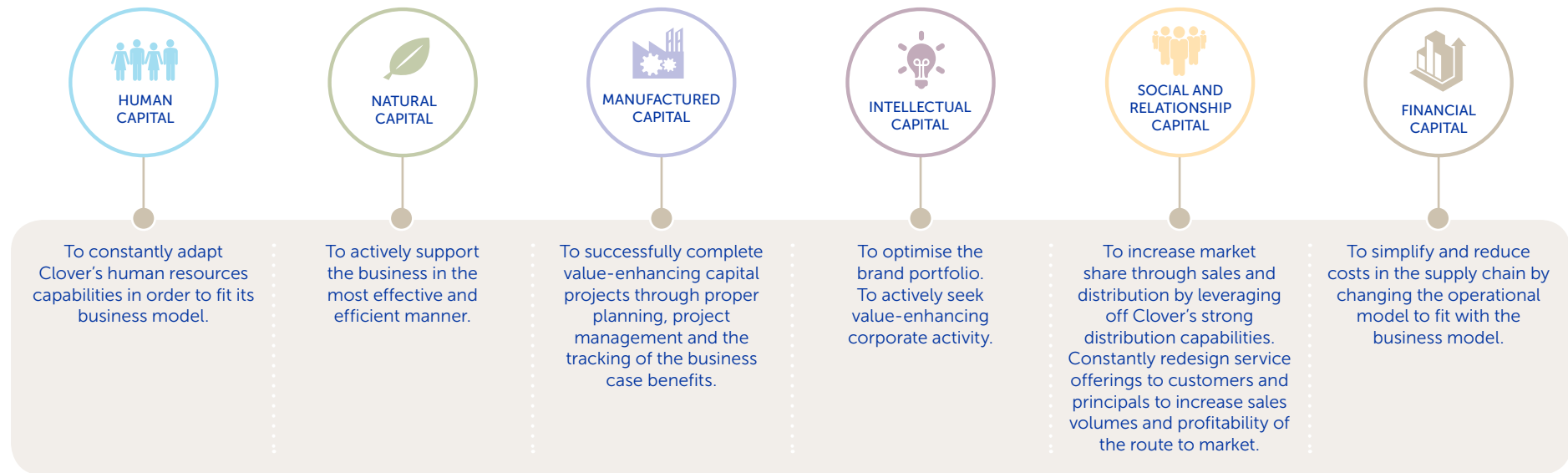
Over many decades Clover has built an outstanding reputation for quality products and we only add or acquire new brands that can further build out this premium status. Our marketing and sales teams will continue informing our markets that Clover never compromises on quality – from source ingredients to end product.

Reaching Clover’s widely dispersed consumers and customers everyday

Clover’s distribution network for food and beverage products is regarded as one of South Africa’s finest. Large nationwide retailers and other businesses retain Clover to distribute and provide merchandising services for their chilled, ambient temperature and non-perishable inventories. Clover’s thousands of distribution points and large fleet of owned and outsourced delivery vehicles enable daily, or several times per week, deliveries to Clover supply depots and client outlets.

Strategy

MATERIAL STRATEGIC PILLARS OF THE CLOVER GROUP



CLOVER'S MOST MATERIAL ISSUES

Materiality

Clover's Board and executive management consider the information presented in this Integrated Annual Report as relevant or 'material' to our shareholders and key stakeholders. It supports a balanced understanding of Clover's performance over the past year, as well as insights into our planning for the future. The Board and executive management evaluated the source information with two primary questions in mind: "Who is our reporting aimed at" and "can they make well informed decisions regarding Clover from our reporting?"

When deciding on the information to be included in this report, the leadership considered the relative importance of each matter in terms of the known or potential effects of these on Clover's ability to continue creating value. These were prioritised for relevance to the report users, so that non-pertinent information could be set aside, or shared through other channels.

An accurate and complete Integrated Annual Report should not be weighed down with peripheral data that tends to confuse rather than enlighten.

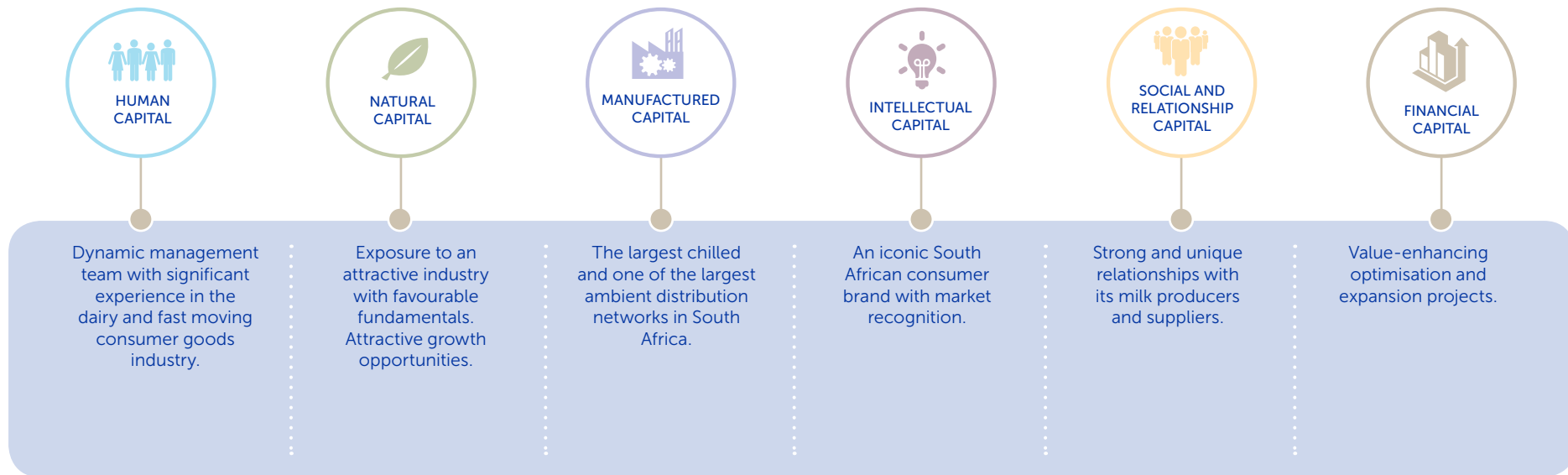
Clover's stakeholder engagement activities are aimed at identifying and responding to all legitimate expectations of shareholders, investors and stakeholders.

Clover's potential material matters emerge through our risk management process and shareholder feedback. The Board

and Audit and Risk Committee meets at least once a quarter to review all risk management processes, procedures and outcomes.

Potential material issues are subjected to a materiality process that considers a topic's qualitative and quantitative aspect; the influence, legitimacy and urgency of the stakeholder raising the topic; the boundary of the topic; and Clover's ability to affect change with regard to our impact on the topic. Materiality levels are based on Clover's risk bearing capacity and risk appetite. All material risks are reported to the Board's Committees. The materiality process further involves getting the Board and executive management to workshop and prioritise identified issues for consideration and inclusion in the Integrated Annual Report.

Competitive strengths of the Clover Group



STRATEGY AND RESOURCE ALLOCATION

Resources flow through Clover's business model as one or more of the six capitals. Based on Clover's vision, objectives, risks and opportunities, the Board decides on short, medium and long term strategy. Depending on these strategic decisions, Clover's management will decide on the blend of resources (capitals) to be drawn into the business model and will allocate these to various operations.

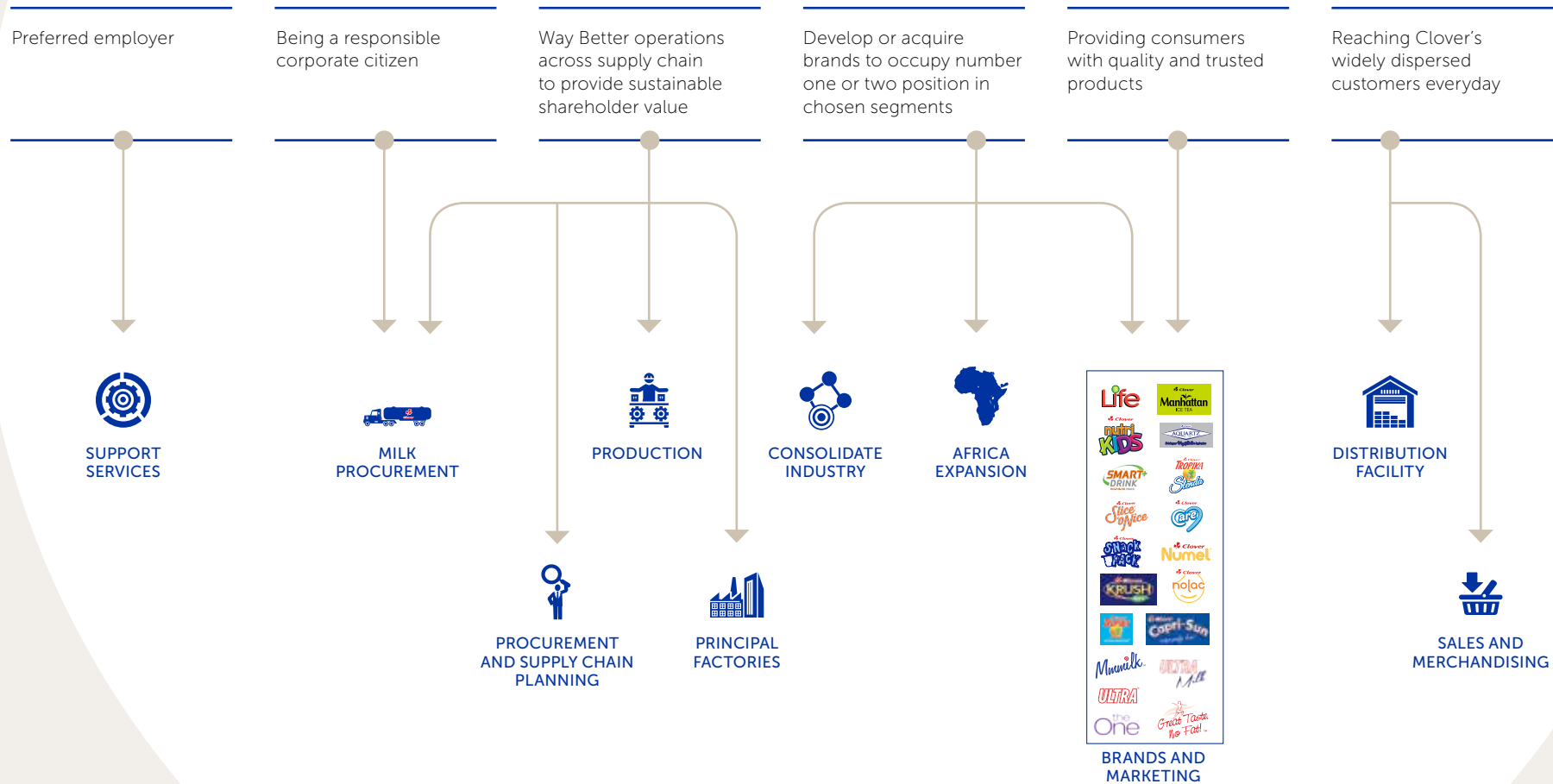
Resources, as capitals, flow out of Clover's business model as outputs and outcomes, ideally enhanced through the processes operating in the business model.



OUR VISION

To be a leading branded foods and beverages group in South Africa and selected other African countries, providing accessible nutrition to all consumers. ”

OUR MISSION

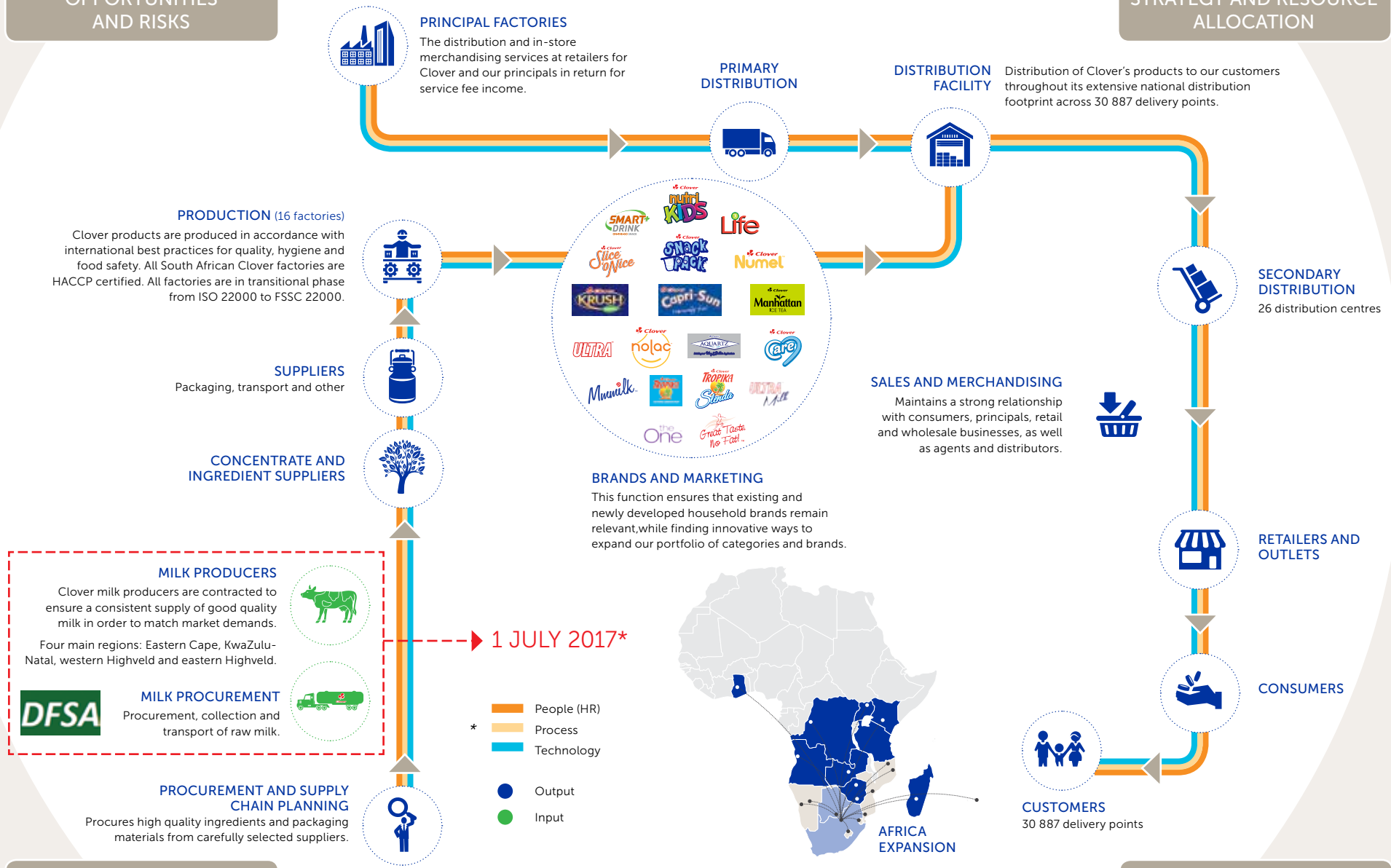


CLOVER'S BUSINESS MODEL GOVERNANCE

VISION AND MISSION

OPPORTUNITIES AND RISKS

STRATEGY AND RESOURCE ALLOCATION

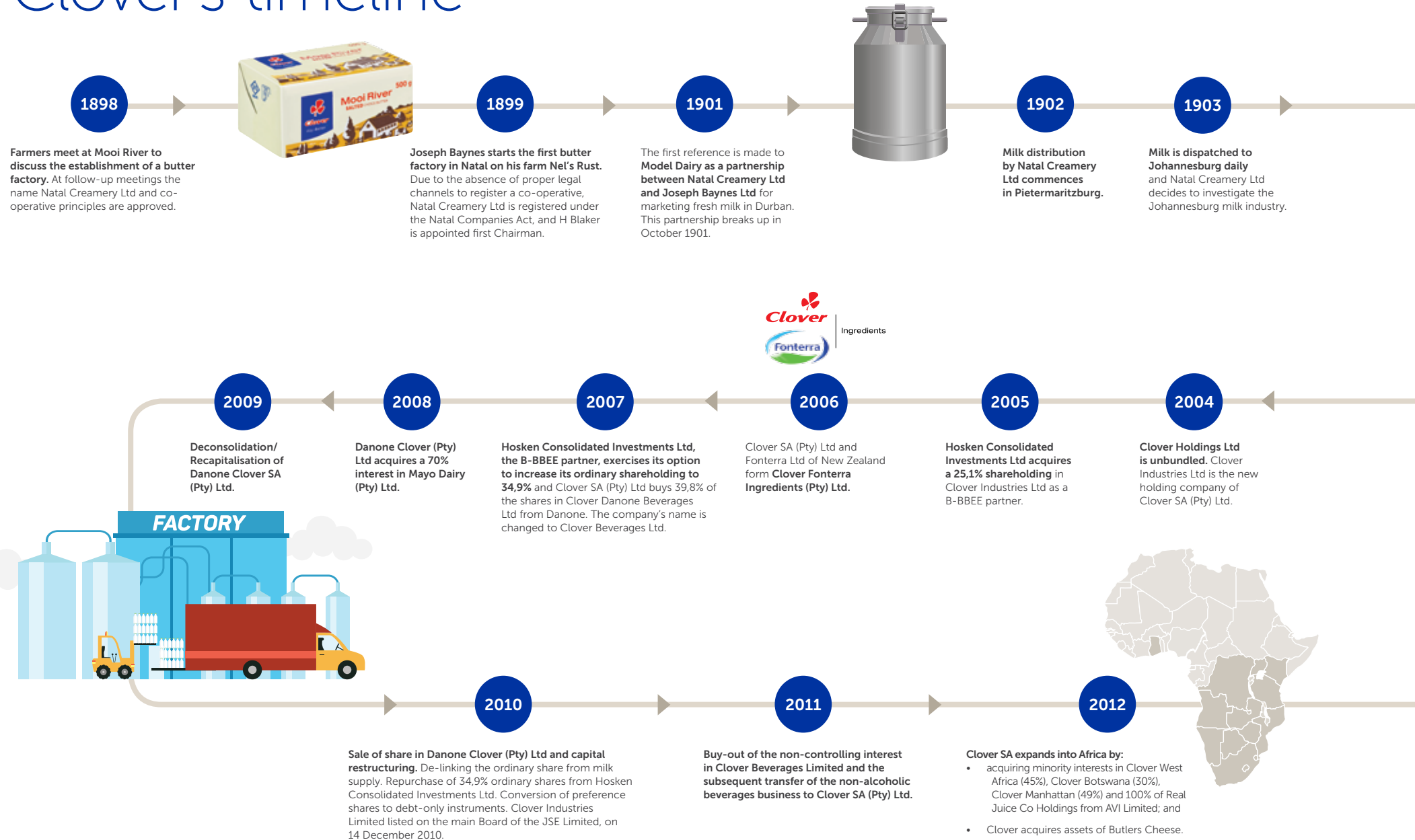


PERFORMANCE

FUTURE OUTLOOK

* Departments supplying support services in the Group are Quality, Procurement, Legal, Risk, Supply Chain, HR, IT, Planning Finance and Marketing
 Clover will purchase raw milk from DFSA at the average national milk cost. DFSA and its producers will still participate in the full value chain of value added products, potentially even more so given DFSA will be able to supply raw milk to other value added processors as well.
 Clover will continuously remain greatly involved in dairy, and will provide all essential services to DFSA such as Production, Distribution, Sales, Merchandising, Support Services and the like.

Clover's timeline

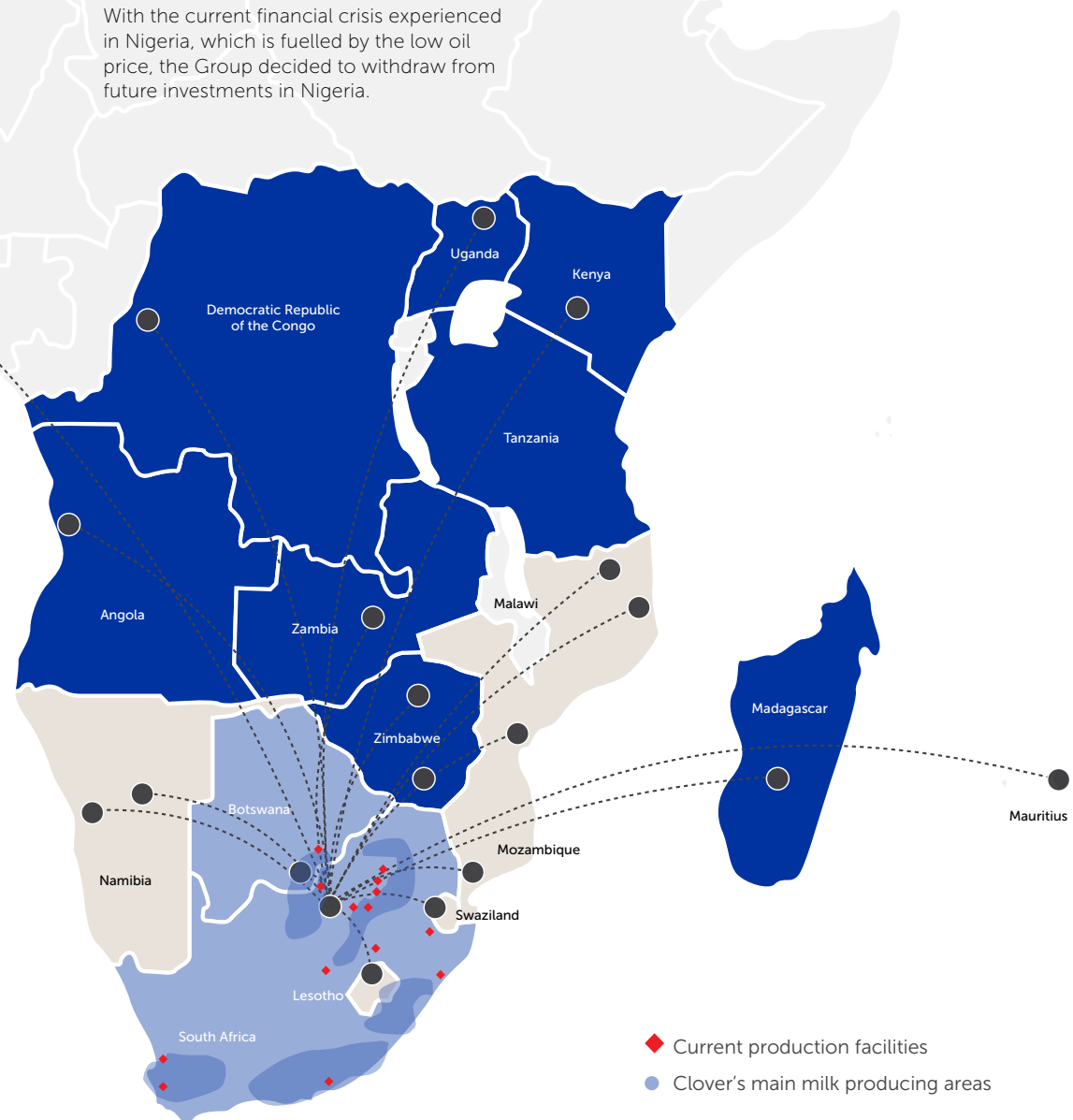


Geographic footprint

With the current financial crisis experienced in Nigeria, which is fuelled by the low oil price, the Group decided to withdraw from future investments in Nigeria.

Clover is present throughout South Africa and has a strong presence in central and southern Africa.

As viable opportunities arrive, Clover will enter into new partnerships across Africa while growing our presence in existing markets.



Group structure

Established in 1898, as the Natal Creamery Limited, the fast growing business was reorganised in 1934 as the National Cooperative Dairies (NCD), operating country wide. Clover Industries Limited emerged in 2003 and in 2010 listed on the JSE.



Clover Industries Ltd



Clover SA (Pty) Ltd

100%

DIVISIONS

Milk Procurement, Production, Primary Distribution and Supply Chain Management, Marketing, Sales, Secondary Distribution and Support Services.



¹ Clover West Africa was placed in liquidation from 29 February 2016, and is in the process of being wound up
² With effect from 1 November 2015, Clover and Frankies Olde Soft Drink Company formed a new company called Clover Frankies (Pty) Ltd, which acquired the entire soft drink business from Frankies Olde Soft Drink Company (Pty) Ltd. As of April 2017, Clover SA (Pty) Ltd owns 100% of Clover Frankies (Pty) Ltd
³ With effect from 1 May 2016, Clover and Good Hope International Beverages SA (Pty) Ltd formed a new company called Clover Good Hope (Pty) Ltd, which acquired the entire soya milk business from Good Hope International Beverages SA (Pty) Ltd. Clover SA (Pty) Ltd owns 51% of Clover Good Hope (Pty) Ltd
⁴ Clover Futurelife (Pty) Ltd came into operation on 1 January 2017
⁵ At 30 June 2017 Clover held 100% of the shares in DFSA. After the end of the reporting period, this shareholding was reduced to 26%
⁶ With effect from 1 April 2017, Clover and Olive Pride formed a joint venture, Clover Pride (Pty) Ltd

Shareholder information

ANNUAL REPORT SHAREHOLDER ANALYSIS

Shareholder spread	Number of shareholdings	%	Number of shares	%
1 – 1,000 shares	1 273	49.69	334 553	0.18
1,001 – 5,000 shares	646	25.21	1 424 111	0.75
5,001 – 10,000 shares	124	4.84	822 029	0.43
10,001 – 50,000 shares	211	8.24	5 156 191	2.70
50,001 – 100,000 shares	93	3.63	6 840 367	3.58
100,001 shares and over	215	8.39	176 258 113	92.36
Totals	2 562	100.00	190 835 364	100.00

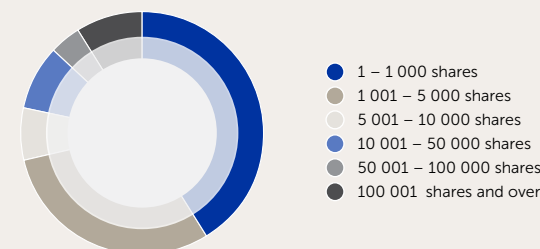
Distribution of shareholders	Number of shareholdings	%	Number of shares	%
Banks/brokers	72	2.81	38 512 578	20.18
Close corporations	22	0.86	345 041	0.18
Endowment funds	24	0.94	400 031	0.21
Individuals	1 879	73.34	14 964 184	7.84
Insurance companies	30	1.17	5 961 507	3.12
Investment companies	1	0.04	4 908	–
Medical schemes	5	0.20	572 375	0.30
Milk Producers Trust	2	0.08	23 700 000	12.42
Mutual funds	111	4.33	46 904 636	24.58
Other corporations	13	0.51	49 047	0.03
Private companies	31	1.21	3 295 041	1.73
Producers	68	2.65	10 721 516	5.62
Public companies	1	0.04	44 558	0.02
Retirement funds	170	6.64	39 943 235	20.93
Trusts	133	5.19	5 416 707	2.84
Totals	2 562	100.00	190 835 364	100.00

Public/non – public shareholders	Number of shareholdings	%	Number of shares	%
Non – Public shareholders	18	0.70	35 935 962	18.83
Directors of the company	16	0.62	12 235 962	6.41
Strategic holdings (more than 10%)	2	0.08	23 700 000	12.42
Public shareholders	2 544	99.30	154 899 402	81.17
Totals	2 562	100.00	190 835 364	100.00

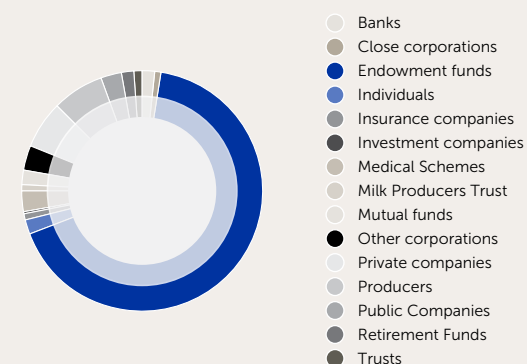
Beneficial shareholders holding 3% or more	Number of shares	%
Clover Milk Producers Trust	23 700 000	12.42
Allan Gray	16 996 903	8.91
Letko Brosseau	10 687 505	5.60
Government Employees Pension Fund	10 308 049	5.40
Vorster, JH	9 083 334	4.76
Old Mutual	6 911 967	3.62
Totals	77 687 758	40.71

Company: Clover Industries Limited
 Register date: 30 June 2017
 Issued share capital: 190 835 364

Shareholder spread
 Number of shareholders (percentage)



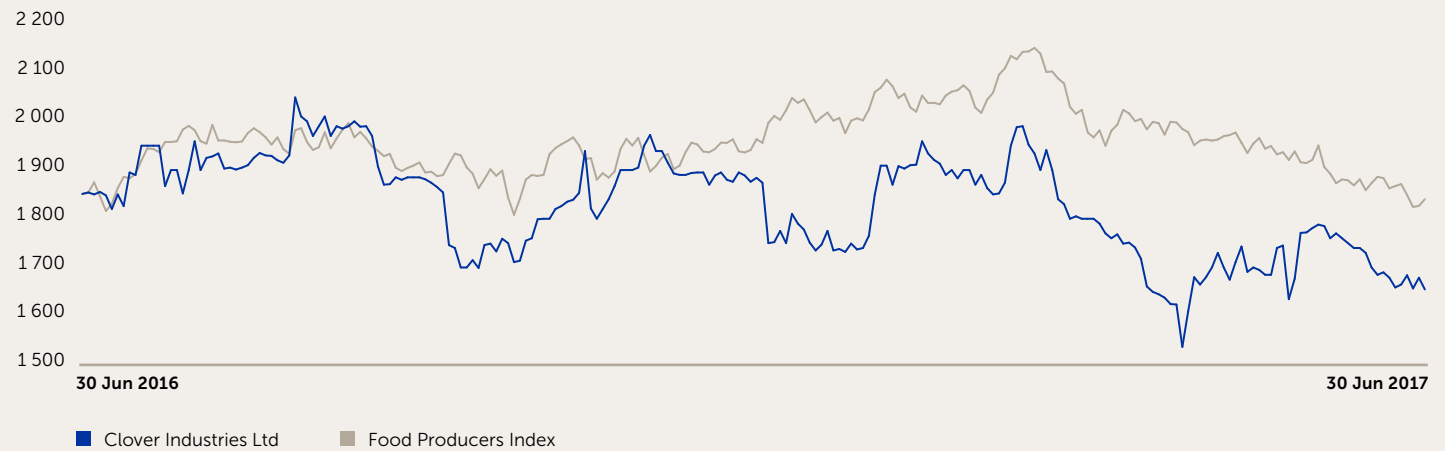
Distribution of shareholders
 Number of shareholders (percentage)



Clover Industries Ltd vs All Share Index



Clover Industries Ltd vs Food Producers Index

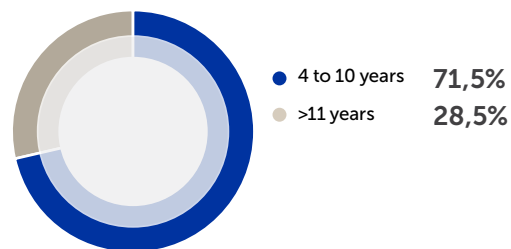


Directorate and management

The Board is ultimately responsible for the management of Clover's business and determining its strategy and policies.

In addition, the Board is responsible for approving Clover's financial objectives and targets. Clover's Executive Directors, who are members of the Executive Committee, are involved in the day-to-day business activities and are responsible for ensuring that Board decisions are implemented in accordance with Board approved mandates.

LENGTH OF SERVICE OF DIRECTORS



BOARD COMPOSITION

EXECUTIVE DIRECTORS
AS AT 30 JUNE 2017

28,5%

NON-EXECUTIVE DIRECTORS
AS AT 30 JUNE 2017

71,5%

EXECUTIVE COMMITTEE



DR JAMES HENRY FERREIRA BOTES (54)

Executive
Commercial
Appointed
2009
Qualification
DPhil



HENDRIKUS LUBBE (47)

Executive
Supply Chain Distribution and Milk Procurement
Appointed
2006
Qualification
MCom (Transport Economics) MBA



MARCELO MARQUES PALMEIRO (51)

Executive
Brands and Corporate Development
Appointed
2012
Qualification
BA, IME



JACQUES VAN HEERDEN (32)

Executive
Legal, Secretarial and Human Resources
Appointed
2014
Qualification
LLB (Cum Laude), ACIS

Board Committees

AUDIT AND RISK COMMITTEE		REMUNERATION COMMITTEE		SOCIAL AND ETHICS COMMITTEE		INVESTMENT COMMITTEE		NOMINATION COMMITTEE	
TA Wixley (retired 28 November 2016)	2/2	TA Wixley (retired 28 November 2016)	1/1	TA Wixley (retired 28 November 2016)	2/2	TA Wixley (retired 28 November 2016)	1/1	TA Wixley (retired 28 November 2016)	1/1
Dr SF Booysen	4/4	Dr SF Booysen	3/3	Dr SF Booysen	4/4	Dr SF Booysen	3/3	Dr SF Booysen	2/2
JNS du Plessis (retired 11 January 2017)	2/2	JNS du Plessis (retired 11 January 2017)	1/1	NV Mokhesi	4/4	WI Buchner	3/3	WI Buchner	2/2
B Nkonyama	4/4	WI Buchner	3/3	ER Bosch (to resign as from 31 December 2017)	4/4	NA Smith	3/3	NV Mokhesi (joined 28 November 2016)	1/1
NV Mokhesi (joined 1 January 2017)	2/2	NV Mokhesi	1/1	N Smith	2/2	B Nkonyama (joined 1 January 2017)	0/1		

BOARD OF DIRECTORS

Executive directors



ELTON RONALD BOSCH (40)*

Chief Financial Officer and Executive
Appointed to Exco in 2012 and as CFO in 2016

Qualification
BCompt (Hons), CA(SA)

Role at Clover
Member of Executive Committee

JOHANN VORSTER (53)

Chief Executive
Appointed to Exco in 2000 and as CE in 2006

Qualification
BCompt (Hons), CA(SA), MBA

Role at Clover
Member of Executive Committee

Board Meetings

TA Wixley (retired 28 November 2016)	1/1
Dr SF Booyesen	5/5
JNS du Plessis (resigned 11 January 2017)	3/3
B Nkonyama	5/5
NV Mokhesi	5/5
WI Büchner	5/5
NA Smith	5/5
PR Griffin (retired 28 November 2016)	1/1
JH Vorster	5/5
ER Bosch (resigned effective 31 December 2017)/5/5	

Non-executive directors



WERNER IGNATIUS BÜCHNER (51)

Chairman
Appointed 2006

Qualification
BEng

Role at Clover
Member of Remuneration Committee, Nomination Committee and Investment Committee

THOMAS ALEXANDER WIXLEY (77)**

Lead Independent Director
Appointed 2007

Qualification
BCom, CA(SA)

Role at Clover
Member of Audit and Risk Committee, Remuneration Committee, Social and Ethics Committee, Nomination Committee and Investment Committee

BABALWA NKONYAMA (43)

Independent Non- Executive
Appointed 2013

Qualification
CA(SA), MBA, Higher Diploma in Banking Law

Role at Clover
Member of Audit and Risk Committee and Investment Committee

NIGEL ATHOL SMITH (61)

Non-Executive
Appointed 2011

Qualification
Agric Dip

Role at Clover
Member of Investment Committee and Social and Ethics Committee



NEO VIOLET MOKHESI (56)

Independent Non- Executive
Appointed 2013

Qualification
BCom, AMP

Role at Clover
Member of Social and Ethics Committee, Audit and Risk Committee, Nomination Committee and Remuneration Committee

JOHANNES NICOLAAS STEPHANUS DU PLESSIS (67)***

Independent Non- Executive
Appointed 2010

Qualification
BCom, LLB

Role at Clover
Member of Audit and Risk Committee and Remuneration Committee

PETER RONALD GRIFFIN (58)**

Non-Executive
Appointed 2014

Qualification
BSc Agric

DR STEFANUS FRANCOIS BOOYSEN (54)

Lead Independent Director****
Appointed 2010

Qualification
BCompt (Acc) (Hons), MCompt (Unisa), DCom (Acc), CA(SA)

Role at Clover
Member of Audit and Risk Committee, Remuneration Committee, Social and Ethics Committee, Nomination Committee, Investment Committee. Appointed as Lead Independent Director following the retirement of Mr Wixley

* To resign as from 31 December 2017

** Retired as from 28 November 2016

*** Resigned as from 11 January 2017

**** Effective 28 November 2016

Read the full biographies at www.clover.co.za



FERMENTED PRODUCTS YOGHURT, CUSTARD AND MAAS

REVENUE
increased by
16,9%
for the period

FERMENTED
PRODUCTS AND
DESSERTS
contributed
8,45%
to Clover's total sale of
products for the period



VOLUMES
grew by
7,85%
for the period

Business review



Chairman's report



Management's short-term focus remains to achieve an equal margin contribution from non-dairy and new value-add products on the one hand, and traditional dairy products on the other.



Dear Stakeholder,

The year under review will go down in history as one where our "Way Better" philosophy was well and truly tested.

Continued pedestrian sales during some of our peak trading months, exogenous economic and climatic impacts as well as currency volatility fuelled by political uncertainty and regulatory changes constrained the entire retail sector in the country.

Since listing in 2010, Clover has followed a strategy of diversifying away from bulk, commoditised food stuffs, to focusing on value-added, branded products. It is therefore no coincidence that during this period, we announced and completed the final leg of our operational restructuring with the establishment of an independent company, The Dairy Farmers of South Africa Proprietary Limited ("DFSA").

Following the finalisation in July 2017, the agreement with DFSA is expected to significantly reduce Clover's high exposure to milk as an input source. It also provides raw milk producers with a stake in the non-value-added dairy products business where the highest volumes of raw milk is used, enabling them to leverage from the entire value chain for their benefit.

This transaction represents the most significant milestone in Clover's history since Project Cielo Blu at the time of listing. Johann Vorster will elaborate in more detail on DFSA in his CEO report.

MACRO-ECONOMIC ENVIRONMENT

For context on the global and domestic dairy industry, readers should refer to the Bureau for Food and Agricultural Policy's 13th baseline agricultural outlook for 2017 to 2026. It provides a good perspective and is available at http://bfap.co.za/documents/baselines/BFAP_Baseline_2017.pdf

After the traditional peak trading period of December 2016 – an important yardstick in measuring consumer confidence and share of discretionary spend patterns – it became clear that the prolonged impact of the severe drought in the previous season, increasing input costs, higher raw milk and fruit pulp prices as well as the stagnant economy would place significant pressure on the Group's financial performance for the year.

Clover increased selling prices to recover higher input costs, however, pressure on volumes and market shares was experienced as consumer sentiment remained subdued. Although these unfortunate events weighed in heavily on the results, strategically it was the correct action to take, as the Clover brand is heavily reliant on the continued supply of quality milk and fruit pulp.

Although many of the negative factors were beyond Clover's control, the Board and management had to make some tough decisions at the expense of this year's results, to support the longer-term

sustainability of the Group. Following a strategic review of the business environment against our internal capacities, structural changes to Clover's infrastructure were introduced which are expected to lead to significant cost savings across the current cost base. More information on the practical application of this can be found in the CEO Report.

Consequently, Headline Earnings Per Share ("HEPS") for the year under review is 66,2% lower at 63,9 cents compared to the 188,9 cents reported for the year ended 30 June 2016. Normalised earnings per share also reduced by 57,3% to 82,0 cents, compared to 192,2 cents in the corresponding period.

Elton Bosch will elaborate more on our financial performance in his report on page 42.

REGULATORY ENVIRONMENT

Along with the proposed sugar tax, new dairy regulation R260 was introduced by the Department of Agriculture, Forestry and Fisheries towards the end of the review period (<http://www.sasdt.co.za/wp-content/uploads/2015/04/Session-4-Speaker-12-Tsiane1.pdf>). The dairy industry is now required to show ingredients lists, batch codes and best by/use by/sell by dates on packaging. It also impacted labelling regarding fat content, creating a new medium fat category in many areas. Overall, the impact of regulation R260 on Clover's business is minimal and we welcome the additional transparency allowing consumers to make more informed choices.

The past year has also saw changes to the proposed sugar tax. Most significantly, the tax will now look at both intrinsic and added sugars when calculating the tax. In addition, Treasury has proposed a threshold that would make the first

4g of sugar per 100ml beverage exempt from the sugar tax. An important step forward includes the fact that 100% fruit juices and milk products will be considered exempt from the tax.

We are working tirelessly to reduce the impact of the tax through revising the composition of some of our products to ensure that we do not compromise on quality or taste whilst reducing the overall sugar content. One of our successes in this regard has been the introduction of Tropika Slenda which has been well received by our customers.

Going forward, our commitment to the sustainable growth of our industry means that we will continue to engage with regulators on finding an optimal way forward that will have the minimal impact on output and employment.

TRANSFORMATION AND EMPOWERMENT

Clover's B-BBEE status was assessed earlier this year and we maintained our rating as a level 4 contributor. New B-BBEE codes for the broader agricultural sector are still being debated. Realistically, Clover can only evaluate the potential impact of these once they've all been promulgated. Internally, our employment equity planning is well on track in preparing the next generation for leadership across the business.

THE ENVIRONMENT AND OUR COMMUNITIES

Throughout our endeavours to create shareholder value and growth, we remain cognisant of our responsibility towards our stakeholders and our operating environment. Our Report on Six Capitals detailing how we interacted as a corporate citizen with our stakeholders is available on page 91 of this report, as well as online at www.clover.co.za.

GOVERNANCE

We are exceptionally proud and honoured to have been voted "the most reputable company in South Africa" for the second year running in the 2017 SA RepTrak Pulse reputation survey, conducted by Reputation House. Considering that seven out of the top 10 companies were FMCG and retail companies, including some of the world's largest multinationals, makes this no small feat.

The Board wishes to congratulate Johann Vorster and his entire team on this exceptional performance. Brand and reputation is about consistency: in supply and delivering on the brand promise. Clover's corporate governance and ethics are geared towards providing a guideline against which our day-to-day practices and conduct is measured.

With the onset of King IV, global integrated governance norms have entered conversations around "how much is enough" when considering the question of organisation-wide pay and value creation. The answer to this emotive question centres on a range, between the extremes of "not less than the market" and "not more than the organisation can afford". Our approach at Clover has always been to provide adequate disclosure to our external stakeholders based on our commitment to fairness and the creation and preservation of value over the long term.

Chairman's report (continued)

It has been encouraging to see the impact that continued shareholder engagement had in mutual understanding of performance targets and valuation metrics.

Dr Steve Booysen elaborates more on this in his letter to shareholders in the Report on Remuneration on page 78.

King IV was released in November 2016 and builds on the current principles contained in King III, aligning the approach to integrated thinking across all six capitals, new governance structures, emerging risks and opportunities, from new technologies and new reporting and disclosure requirements.

Complying with King IV is a JSE Listings Requirement and effective for financial years commencing from 1 April 2017, and only with regard to integrated reports published on or after 1 October 2017. Clover's Board has concluded a gap analysis and no material concerns or insufficiencies were identified regarding the Group's current disclosure and application of principles. The new reporting requirements will be adopted during the current reporting period and disclosed in the integrated report for the period ending 30 June 2018.

Legal compliance to Regulation 43 of the Companies Act pertaining to the Social and Ethics Committee and the management of Clover's performance against ethics guidelines are described fully in the Report on Six Capitals. Compliance with Clover's regulatory universe is described under Compliance in the Governance section, on page 64.

DIVIDEND

Should the current year HEPS be lower than the HEPS reported in the prior year, the Board's policy is to maintain the current dividend at the prior year level. In line with this policy, the Company declared and paid an interim dividend of 24,21 cents per share during April 2017.

Consequently, no final dividend has been declared by the Board, maintaining the total dividend for the year at

24,21 cents per share. Dividends are paid from retained earnings and shareholder can elect to receive a scrip dividend or cash dividend net of dividend withholding tax. Although the Board communicated in the past that it will follow a progressive dividend policy whereby dividends are as minimum maintained or grown by at least the growth in the headline earnings per share, the Board has resolved not to declare a final dividend due to the current weak economic circumstance and the Group's growth funding requirements.

LOOKING TO THE FUTURE

While the financial performance for the year was disappointing, the board remains positive on Clover's future. The drought has been broken in some of the worst affected areas and the agricultural cycle has turned with a bumper maize crop anticipated this year, which is expected to have a positive effect on farm gate milk prices and a recovery in milk production as well as normalised fruit production volumes. The continued relative stability of the rand and dollar weakness in recent times is expected to curb rising input cost inflation.

Cost efficiencies implemented prior to and during the review period as well as increased sales supported by our investments in production facilities, distribution platforms and research and development as well as ongoing marketing efforts is expected to support volume and margin growth.

The restructuring of Clover's current operations as described above and in more detail in the Chief Executive's report will form the cornerstone of our strategy to develop branded value-added products that are less impacted by agricultural cyclicity. We therefore remain committed to our medium- to long-term goals of investing in and growing our value-added product portfolio and infrastructure whilst exploring synergies to leverage our infrastructure, passing the resultant cost savings on to consumers.

An encouraging development post the balance sheet date has been DFSA's pro-active approach to stimulating the production of butterfat. There is currently a worldwide shortage of butterfat. In South Africa, this is partly due to a higher demand from consumers as well as a consumer shift away from low fat drinking milk to full fat drinking milk as a result of changes in health perceptions. This has resulted in less cream being available to make butter.

DFSA recently announced a price stimulus whereby dairy producers will receive a premium according to the content of butterfat in their milk. Clover welcomes this as an important step to not only sustain the primary industry, but to address consumer demand as well.

APPRECIATION

Mr Elton Bosch resigned as Financial Director post the reporting date, in July this year to pursue personal interests. Elton served as Financial Director since January 2016 and was the Executive: Business Development, Risk and Africa prior to taking up the position. He leaves a legacy at Clover, having contributed significantly to the risk and governance areas of the business, over and above his financial acumen. On behalf of the Board, I thank Elton for his valued contribution. A suitable candidate is being sourced to replace Elton, who will continue with his responsibilities until December this year to ensure a smooth transition.

Following the retirement of Messrs Wixley, Lerm, Botha and Griffin from our Board, we undertook a change in director responsibility. The Clover board now constitutes two executive directors and five non-executive directors,

three of whom are deemed independent. On the back of these changes, we appointed Ms Neo Violet Mokhesi as a member of the Audit and Risk Committee and Remuneration Committee of the Company at the beginning of 2017. Prior to this, Ms Mokhesi served as an independent non-executive director and as the Chairperson of the Social and Ethics Committee. I am particularly grateful for her continued commitment and contribution to the board since her appointment.

Finally, I want to thank Johann Vorster, his team and all Clover employees for the dedication and hard work during a difficult year. The restructuring and other internal cost saving initiatives impacted on the working environment of many individuals. Your continual commitment and adaptability is much appreciated and will play a huge role in the wellbeing of the company in future.



Werner Büchner
Chairman of the Board

11 September 2017





Chief Executive's report



Despite the challenges during the year, we remain committed to our medium to long-term goals of investing in and growing our value-added product portfolio and infrastructure.



INTRODUCTION

Clover faced an exceptionally challenging year as South African food producers and retailers had to contend with several complex and ongoing issues in the economy. I have always maintained that our business has numerous levers at its disposal to mitigate operational risk, and these were certainly tested during the period.

Some impacts such as the prolonged drought, a wetter and cooler summer and rand volatility were beyond our control. The resultant above-inflation input costs, subdued volume growth and continued low consumer spending amidst aggressive competitor pricing meant that we had to take some very tough decisions during the year, to position and sustain the business optimally against a constrained "new reality".

This obviously came at a price as reflected in our subdued financial performance. The fact that the 2015 and 2016 financial results set an exceptionally high benchmark we were very conscious of guarding against short-term, knee-jerk solutions. We are confident that the measures implemented during this reporting period will not only ensure sustainability and growth during the current downcycle, but will position Clover optimally to take advantage of any economic tailwinds, once the economic tide has turned.

Product group sales volumes for the year contracted in most categories, except for fermented products and deserts, which showed resilience on the back of further

capital infrastructure investments to meet demand. Revenue improved by 2,4% or R 239,9 million to R10 058,6 million. Sale of products increased by 3,3% to R9 401,8 million, despite overall volume decreases of 3,5 % given the subdued consumer sentiment within the constrained economic climate.

Headline earnings decreased by 65,9% or R235,0 million to R121,6 million. This decrease in headline earnings is primarily because of:

- headline operating profit, which decreased by 52,3% or R298,4 million
- net finance costs, which increased by 18,0% or R20,3 million
- income tax expense which decreased by 63,9% or R72,9 million. The effective tax rate base decreased by 3,9% to 20,6% that is explained in more detail under "Profit for the year" later in this report
- share of profit from a joint venture, which increased by 29,6% or R4,2 million
- non-controlling interests, which decreased by 51,4% or R0,5 million.

Profit attributable to shareholders of Clover Industries Limited declined by R192,6 million.

Following the implementation of several promotional strategies, market shares started recovering significantly since April 2017, as reflected in the graphs below.

In my report, I will elaborate on the strategic structural changes implemented during the reporting period, its expected impacts and leveraging of opportunities. For a

complete overview on the business, its performance and prospects, this report should be read in conjunction with the Chairman’s report as well as the Chief Financial Officer’s report.

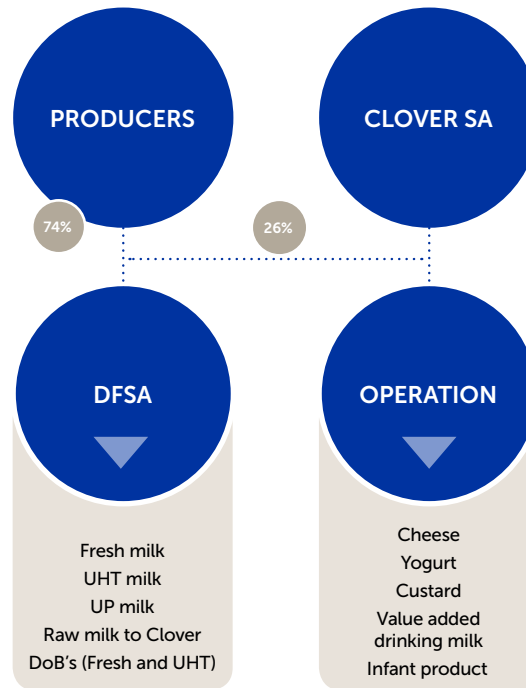
Financial strategy and operational restructure

Since listing in 2010, we have been working towards diversifying Clover’s business away from low-margin, commoditised bulk dairy products, focusing on higher margin value-added branded food and beverages to improve operating margins across the portfolio. In contrast, profit on traditional dairy products are typically driven by volumes and this would apply to fresh milk, ultra-high temperature milk, ultra-pasteurised milk, skim milk powder, whole milk and bulk cream.

A recent strategic review of our product portfolio highlighted new trends in the milk business model where owner-producers supply the trade directly, as opposed to traditional intermediary companies like Clover. This means that commodity products like fresh, UHT and UP liquid milk (“**non-value-added drinking milk**”) has drifted outside of our core product portfolio.

Since our strategic focus is on value-added product categories, it made strategic sense to transfer the supply and demand side of the volume driven business to a new entity and invest our future funds in more profitable businesses that will suit our business model better, whilst remaining a substantial service provider to the dairy industry.

In one of the biggest milestones since Cielo Blu in 2010, we formed a wholly owned subsidiary (called Dairy Farmers of South Africa (Pty) Ltd (“**DFSA**”)) which houses the non-value added dairy business of Clover with effect from 1 April 2017. DFSA is responsible for the procurement of raw milk as well as the selling, marketing and distribution of the non-value-added drinking milk above.



DFSA will still supply all of Clover’s milk requirements as long as it can guarantee supply at competitive prices. It is important to note that Clover’s Unique Milk Procurement System (CUMPS) aimed at balancing Clover’s raw milk intake with expected dairy sales, will remain in its current format.

In practical terms, this means that DFSA will source and supply Clover with its milk requirements, including (but not limited to) final product to the trade and other customers, exports, house brands, etc. Its scope will be limited to drinking milk (fresh, UHT and UP milk), bulk cream and milk powders under the Clover brand or other own brands,

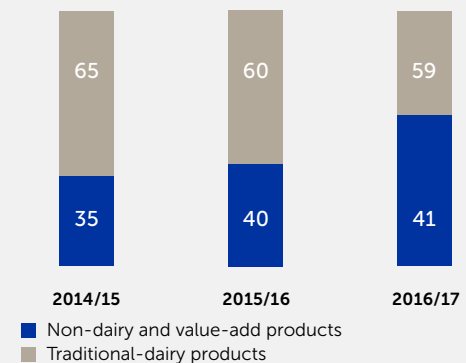
various Dealer Own Brands (“DOB’s”) and the selling of raw milk to Clover.

In terms of the transfer agreement, Clover holds all the A shares in the new business with 26% voting rights, whilst the milk producers hold all the B shares with a 74% voting right.

It is envisaged that Clover will buy most/all of its milk requirements from DFSA. All existing Clover producers will therefore still supply all of Clover’s milk requirements.

Clover has leveraged the high-volume and short shelf-life characteristics of some of the commodity dairy products to drive its expansive chilled distribution chain, as the carrier not only for its own value-added products but also for its principal distribution business. DFSA will subsequently become Clover’s largest principal, where all its related requirements such as distribution, production, administration (invoicing, debt collection, marketing), IT services, payroll administration, central services, sales and merchandising are outsourced to Clover for an initial period of 20 years.

Value-add vs traditional product contribution to MOM (%)



Chief Executive's report (continued)

To Clover, this means that we will continue to focus on:

- Promoting and developing value added products in dairy and other related food categories;
- Expanding its non-alcoholic beverages portfolio; and
- Developing and enhancing its key competencies in brand development, production distribution and merchandising.

Core portfolio vs non-core portfolio (volume driven) growth

A key measure of the impact that our focus on value added and non-dairy product volume have is reflected in the Margin on Material (MOM).

During the reporting period, the overall MOM of non-alcoholic beverages, fermented products and desserts and other value-added products increased from 53% to 54%. The restructure and formation of DFSA is expected to impact this ratio significantly going forward.

Stringent cost saving initiatives in a high cost inflationary environment

The raw milk supply was volatile during the reporting period which followed the prolonged drought. Seasonal peak milk production commenced in August 2016 with high feed costs placing downwards pressure on milk production whilst industry selling prices remained relatively low. The drought in the Highveld and Kwazulu-Natal was subdued with great summer rainfall, while the sub-optimal conditions in the Western and Eastern Cape prevailed. The country's milk flow was relatively stable when compared to the prior year, but the cooler and wetter summer in December 2016, and the higher selling prices, resulted in volumes decreasing, particularly in the beverage segment.

Significant once-off restructuring costs of R48.1 million relating, *inter alia*, to the integration of the City Deep

distribution facility into the Clayville distribution facility, the closure of our Upington and Kimberley distribution centres and the mothballing of our Bethlehem powder facility were incurred during the current year, that will bode well for future cost efficiencies.

On the back of current market conditions, we focused on cost saving drives during the review period, with the management team driving efficiencies and cost savings, especially on variable costs, exceptionally hard. Executive management volunteered for a salary freeze. Head office managed to avoid inflationary increases to overheads and reduced its overall spend by 9,6% or R25,0 million.

Strategic Capex spend

Despite the challenges during the year, we remained committed to our medium to long-term goals of investing in and growing our value-added product portfolio and infrastructure. We also continued to explore synergistic opportunities to leverage infrastructure that will result in significant cost savings that can be passed on to consumers.

Project Sencillo was launched during the year, which involves optimising capacities and increasing efficiencies. It will mean moving equipment around to factories within the group to optimise each factory according to demand and length of production runs, better matching the raw materials and by-products.

Other strategic projects underway include:

- Increasing our distribution reach into previously under-served areas, increasing our delivery points at the bottom-end of the market to 30 000;
- The launch of several exciting new products and line extensions during the next few months.

In the rest of Africa, operations in Mozambique are running smoothly and we are very excited to have launched a selected product portfolio in Tanzania in August 2017.

Cash Flow

Cash generation was constrained given the muted consumer sentiment, and income was therefore also subdued.

Return on Equity (ROE)

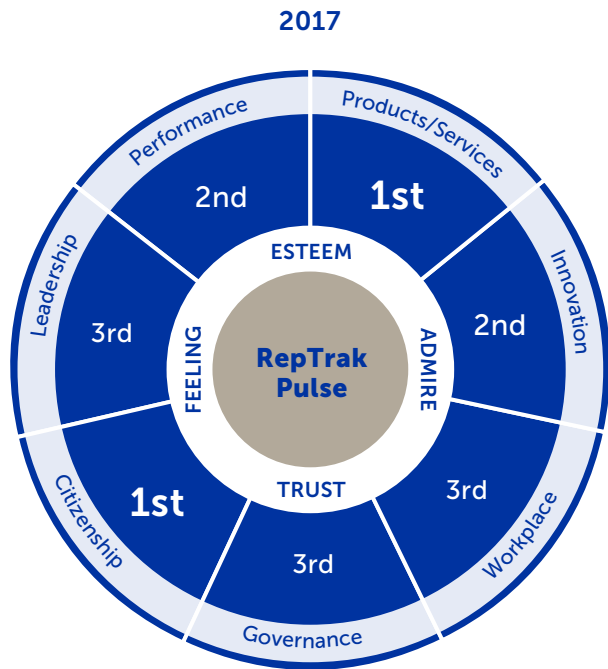
Return on Equity is a paramount performance measure for several capital market investors. Throughout the year, we engaged with these shareholders to integrate greater focus on this measure into the long-term incentives for especially senior management. (Refer to the Report on Remuneration, and especially the letter to shareholders on page 78 of this Integrated Annual Report.) Given a stagnant selling price environment, loss of volumes, and above inflationary increases in variable costs during the reporting year, Clover reported a decrease in ROE from 12,9 to 5,5%.

GOVERNANCE

I am delighted to announce that Clover took top honours yet again in the 2017 SA RepTrak Pulse reputation survey as "the most reputable company on South Africa." Seven out of the top 10 winners are FMCG or retail companies, showing the importance of consistent delivery of quality and product to the market on reputation and trust.

Clover placed first in Citizenship and first in Products and Services which is an outstanding demonstration of the organisation's resilience and adaptability. We pride ourselves on being a mature organisation, applying global best practice through an Enterprise Wide Risk Management Framework.

The Board and management views corporate governance as paramount to sustainability and our risk policy and framework incorporate guidelines by The Committee of Sponsoring Organisations (COSO).



HUMAN CAPITAL

The Reprtrak study mentioned above refers to Clover’s ranking as “an ideal company to work for.” This accolade is supported by our exceptionally low staff turnover and high-performance culture. As a management team, we go to great lengths to ensure staff across all levels in the organisation is well-informed of our objectives and the strategies to achieve this.

Establishing a “creative tension” drives our strategy and “Way Better” philosophy, retaining key skills within the business, such as with the City Deep facility integration into Clayville, where most staff were redeployed in the business. The Board subscribes to and supports Government’s equity objectives and broad-based black economic empowerment. To this end we work closely with Government to unlock opportunities, such as our Masakhane project, that has already created a significant number of permanent employment opportunities and is set to create hundreds more.

More information on Masakhane and other Human Capital initiatives can be found on page 109 and 99 of this Integrated Annual Report.



NATURAL CAPITAL

Agriculture generally experience cyclicity, with dairy being no different. Although the resultant high- and low flow of raw milk during seasonal cyclicity can be planned for, external impacts such as weather patterns, input cost increases such as fuel, fertilizer and feed have dramatic

effects on the sustainability of the primary industry. Growth in dairy consumption strongly correlates with GDP growth, and in a low- to no-growth economy such is currently the case in South Africa, there is little chance to recover these costs through increased volumes.

During the review period, Clover increased the price it paid to dairy farmers to ensure the sustainability of the primary market.

Producers will set market prices for the non-value-added drinking milk in the different category segments. Clover will in turn purchase raw milk from DFSA at the average national milk cost (including milk price, collection, inter-branch-and handling costs) for all its other products containing milk (cheese, yoghurt, custard and the like). In this way, DFSA and its producers will still participate in the full value chain of value added products, our raw milk source remains secure in the face of all foreseeable eventualities and we anticipate that the improved weather conditions forecasted for 2017 will normalise milk production.

The aim of the DFSA structure and the Clover Unique Milk Procurement System (“CUMPS”) is to protect the primary industry in South Africa as dairy producers have control over pricing and greater see-through on potential milk offtake. The irony is that South Africa produces some of the highest quality milk internationally. Production capacity is not the challenge – finding a sustainable offset point for this production capacity is, but I will elaborate more on that under Manufactured Capital below. The sustainability of Natural Capital is recognised throughout our value chain, including our carbon footprint, electricity consumption and wastage. Readers should refer to the chapter on Natural Capital on page 104 of this Integrated Annual Report for more information.

Chief Executive's report (continued)



MANUFACTURED CAPITAL

Over the past two financial years we invested heavily in our production infrastructure. Considering the strategic review during the year and our position that muted consumer demand will continue, infrastructure capacity will be consolidated into the most optimal facilities through project Sencillo. Capital expenditure has furthermore been reduced significantly in comparison with prior years. A longer-term ambition is to pragmatically centralise all our major production facilities into a strategically located and purpose-built industrial park strategically located near supply sources, other production facilities and major transportation routes.



INTELLECTUAL CAPITAL

The hyper competitive retail industry is moving towards planning its product selection and stocking levels through an average daily rate of sale, whereby future customer orders will be calculated by a statistical algorithm and the retailers themselves take hands-on control of their demand and in-store planning. Clover's leadership decided on an aggressive approach to evaluating and adopting technologies that will future-proof Clover. To this end we have partnered with IBM to develop a proprietary business intelligence system to support management decision-making at all levels. This "Kolabo" project will enable managers to use "big data" analysis for insights into market dynamics, trends in consumer consumption and the needs of our clients.

The Group therefore continued to invest in considerable new IT collaboration infrastructure to enhance sales.

The largest component of Intellectual Capital is our brands, the performance of which is outlined below. All the market shares and market growth statistics discussed below are based on the independent "Nielsen Total Trade Desk" data ("Nielsen data"), which comprises Shoprite Checkers, Pick n Pay, Woolworths, Spar group and Fruit and Veg City data and is consistent with the measures applied in prior reporting years. It is important to note that our Masakhane initiative does not form part of this data (If included, Masakhane would have had an influence on the value-added products' market shares, since we are taking our most important brands and products closer to the people at much better margins since there are no trading term costs, returns, etc).

Going forward, Clover will only report market shares for its value-added brands and not for the brands sold under license by DFSA.

Fresh and ultra-pasteurised milk

Clover's volume only decreased by 8,4% against the prior year, mainly because of aggressive retail house brand pricing of UHT stock and low volumes of milk flow. The total market for fresh milk contracted by 3,9% against the comparative year also reflecting the pricing strategy of retailers and general lacklustre consumer demand.

UHT milk

Continued aggressive pricing resulted in overall total market volume growth of 4,6% for Clover (including DOB production), that was better than the 1,0% market decline recorded in the industry. During the current year, Clover's UHT volumes in the Nielsen channels also contracted because of Clover's increased involvement in Dealer Owned Brands, Clover's market share contracted from 14,6% to 14.1 % for the year.

Cream

Total market volume growth expanded 0,4 % for the year under review. Because of lower fresh milk sales, Clover's volumes contracted by 6,3%.

Maas

Clover's volumes grew by 6,0% and we continued making inroads into this segment by growing market shares from 9,3% to 9,6%

Feta cheese

Clover's volumes declined 5,3% on the back of a market increase of 0,3% primarily because of higher selling prices.

Pure juices

Overall volumes in the pure fruit juice market continued to decrease, reflective of reduced discretionary consumer spend, price increases to recover significantly higher input costs and an unusually wet and cold summer season. Despite a contraction in the overall market 6,8%, Clover's volumes decreased 4,8%, but its market share in the top-end grew from 42,9% to 44,3%.

Iced-tea – ready to drink

The ice tea category continued to lose market share from 17,2% to 15,1% because the rainy and cooler summer impacted sales. Clover's volumes decreased 24,6% and this competitive category also decreased 8,8% in the top-end.

Dairy fruit mix

Clover grew its market share from 79,0% to 83,9% through its popular "Tropika" and "Danao" brands. Given higher pricing and the adverse weather conditions during the festive season, volumes decreased 3,8% in this category. The launch of Clover's new Tropika Slenda with less sugar has been very well received in the market.

Bottled water

The total market volume in this segment increased by 10,7% during the year under review although Clover Waters' market share in this segment declined from 11,0% to 7,3%, mainly because of strong competition.

Pre-packed cheese

The overall volumes for natural pre-packed cheese declined 25,1% during the year under review. Clover's market share in this category (in the top-end) however grew from 17,0% to 18,5% as certain volumes in the prior year was sold in bulk.

Flavoured milk

Clover's "Super M" brands volumes decreased by 6,6%, and its market share grew from 29,7% to 31,9%.

Yoghurt

Clover entered the yoghurt category in January 2015 by introducing its own range of yoghurts under "The Classic" brand, in addition to the manufacturing and distribution of the acquired and relaunched "Fruits of the Forest" brand.

Clover volumes grew by 5,3% during the year under review, following the commissioning of additional capacity to address consumer demand. Clover's market share for the year grew from 8,3% to 8,7%.

Custard

Similar to yoghurt, Clover only entered the custard market in January 2015. Volumes in this market category declined 1,5% and Clover's share of this market's annual sales volumes was 10,1% compared to 7,6% previously. Clover's total volumes grew 31,7% in this category.

Butter

Total market volumes contracted by 5,4% because of low inventory levels and the availability of cream. Clover's volumes declined 19,5%, and market share decreased from 29,9% to 28,0%.

Other

Olive oil and soya products performed in line with expectations off a low base.



SOCIAL AND RELATIONSHIP CAPITAL

Winning the SA RepTrak Pulse reputation survey as the most reputable company in South Africa for the second consecutive year is a great honour and achievement that every Cloverite feels exceptionally proud of.

In addition to this, the Clover Mama Afrika project launched in 2004 is close to my heart, being such a practical and authentic means of channelling self-empowerment, skills development and dignity into marginalised communities. This worthy undertaking was again recognised by winning PMR's prestigious Diamond Arrow Award.

OUTLOOK

At the turn of the century, some members of the current senior executive team played an instrumental role in initiating far reaching changes in Clover's business model, converting it from a dairy co-operative to a demand driven manufacturer and distributor of branded food and beverages.



Chief Executive's report (continued)

Our vision for Clover has always been much more long-term than any particular market cycle. We therefore remain optimistic and excited about Clover's future as we have considered and employed measurable strategies that will return the Company's profitability to historic levels over the medium and longer term.

As a team, we will increase volumes and claw back market share by passing cost efficiency gains on to the consumer. I still maintain that the secondary industry is too fragmented, creating unnecessary costs in the manufacturing and supply chain. We will continue to leverage our asset base and infrastructure as we grow our core portfolio of value-added branded products.

Aligned with our strategy to expand our value-added portfolio and to support future cost efficiencies and increased sales, we made significant investments into our production facilities, distribution platform, research and development as well as marketing during the reporting period. We are confident that the benefits of these investments will create a platform for adjacent plays and future growth.

The exploration of adjacent revenue streams is a key focus area along with further investment in research and development of new differentiating products which may be implemented in-house or in collaboration with industry counterparts. Despite the difficult operating environment, Clover remains committed to our medium to long-term goals of investing in and growing our value-added product portfolio and infrastructure.

The weakened economy will continue to take its toll on consumers whilst we address the challenges of above inflationary cost increases. We are acutely aware of the plight of the consumer and remain focused on seeking cost efficiencies and more affordable products across our value

chain as this will limit the impact of rising selling prices and defend our market shares. We will continue to explore opportunities where synergies can be leveraged using our infrastructure. This should lead to significant cost savings which can be passed on to the consumer.

At the time of writing, the implementation of DFSA has progressed well and the company has taken some proactive steps in addressing the expected undersupply of raw milk in the coming season. In addition, some innovative incentives were introduced to stimulate the production of butterfat and address the butter shortage in South Africa.

Clover's executive team has set high but achievable targets for the year ahead. Each executive member recently committed to the following five habitual behavioural attributes to drive value:

- Consumer centric – Lower cost, better prices, better offerings.
- Cost focus – Challenging all cost to unlock fuel for growth in adjacent categories.
- Ambitious – Achieving ambitious and clearly defined financial targets.
- Responsive and flexible – Responding to market challenges through quick responses and decisive actions.
- Supportive – Create a culture of acting as one and reaching goals together (the core business)

Several actions implemented during the latter part of the reporting period started yielding encouraging results, the impact of which is expected to reflect in the interim results for the current financial year and beyond. Some of these milestones are:

- The unbundling of DFSA as a separate entity, eliminating further exposure to the cyclicity of the non-value-added drinking milk market

- Material changes to a number of recipes in our products that produced cost savings and lower cane sugar content
- Significant cost savings across the board for the new budget year
- Project Sencillo well underway (optimising factories and simplify operations across the manufacturing value chain)
- The drought has abated, and volumes are being restored with a bumper maize crop expecting to reduce feed cost in some areas
- Market shares are starting to return to normal levels
- Recent new product launches starting to pay off - albeit off a low base
- A number of product showing increased gross margins, e.g. fermented products, dealer own brands, etc
- Addressing any material tax impact on products containing sugar
- New product launches well under way
- Masakhane roll-out accelerated

APPRECIATION

I would like to thank the Board, especially Mr Werner Büchner, for its continued support and guidance during a challenging 12 months.

Our relationship with our producers remain a beachhead for our sustainability and once again I thank them for their continued support and interaction.

Mr. Elton Bosch decided to pursue personal interests and will leave the Company in December 2017, after a handover process to a new incumbent. Elton, it was a pleasure working with you and I thank you for your contributions, support and input, not only during your tenure as Chief Financial Officer, but your time on exco as well.

I want to thank each staff member and their families for their devotion and hard work during a challenging year – your “Way Better” approach to challenges has carried us through.

Lastly, a final word goes to my executive team for their hard work and commitment.



Johann Vorster
Chief Executive

11 September 2017

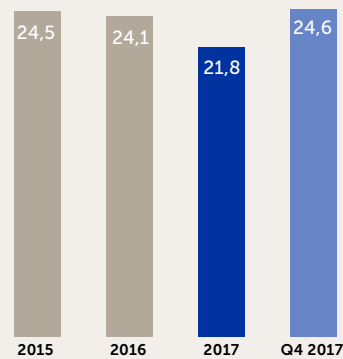


Chief Executive's report (continued)

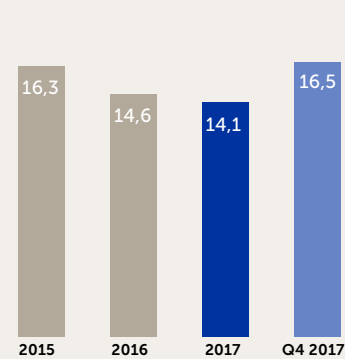
All market shares shown here are based on data received from Nielsen. Please note some market shares for 2015 have been restated due to changes made in the Nielsen database.



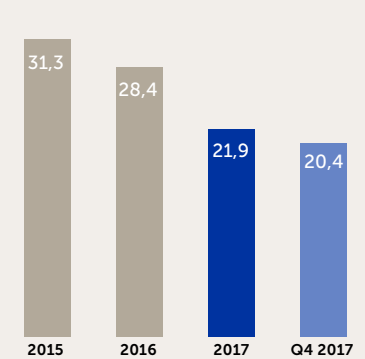
Fresh and UP milk (%)



UHT milk (%)



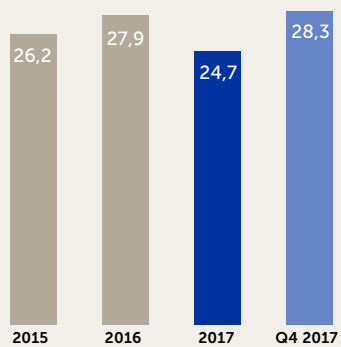
Cream (%)



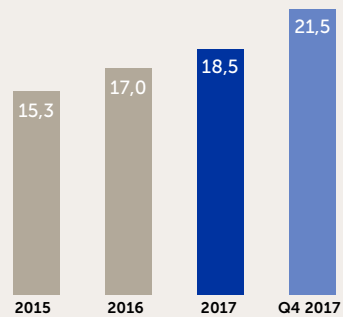
- Dairy products
- Concentrated products
- Beverages
- Fermented products



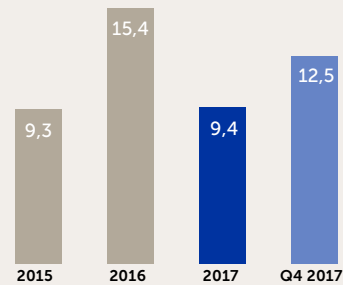
Feta cheese (%)



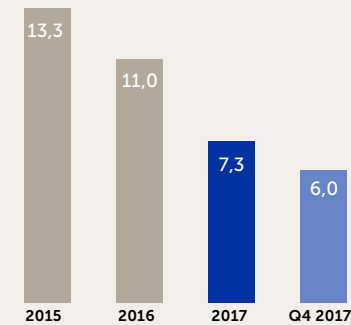
Natural Pre-packed cheese (%)



Processed cheese slices (%)



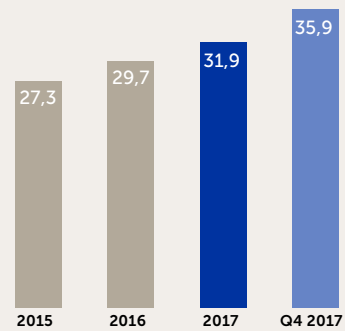
Water brands (%)



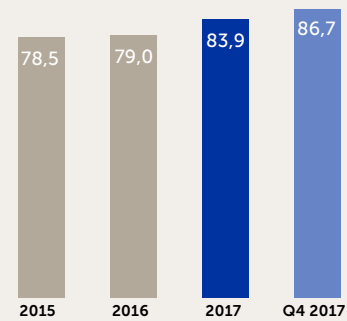
Chief Executive's report (continued)



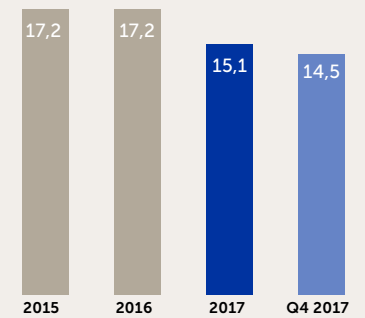
Flavoured milk
(%)



Dairy fruit mix
(%)

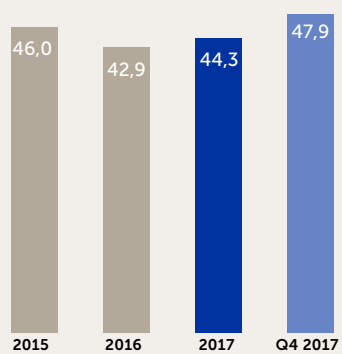


Ice tea
(%)

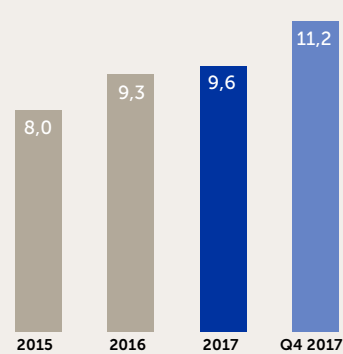




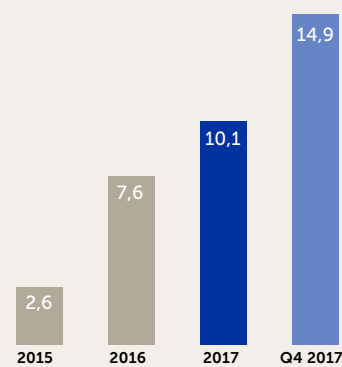
Pure juice (%)



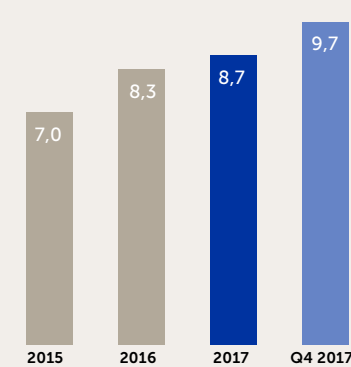
Maas (%)



Custard (%)



Yoghurt (%)





Chief Financial Officer's report

Management remains committed to driving volumes and market shares by driving further cost efficiencies, exploring synergistic opportunities to leverage its asset base and infrastructure, while growing its value-added product portfolio which is now the core business focus.

Shareholder value actively shaped our strategy behind revenue growth, operating efficiency and asset efficiency, but our growth strategy experienced a hurdle given the recent drought, cooler summer and economic headwinds that has become the new "normal". Clover's financial growth story may have stuttered recently, but prospects remain positive given the investment in key fundamentals.

Clover's board of directors and management believe the financial statements published in this integrated annual report present fairly, in all material respects, the financial position, financial performance and cash flows of Clover Industries Limited in accordance with International Financial Reporting Standards (IFRS), and without material misstatements. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements section of this integrated report. The board and senior management is confident that Clover's internal control system is adequate for preparing accurate financial statements in accordance with IFRS and the requirements of the Companies Act of South Africa.

OVERVIEW

Although the "new normal" constrained economic environment undeniably impacted on the financial results for the year ended 30 June 2017, it was the loss of volumes as a result of higher input costs and a cooler summer that had the largest effect. Shareholders were advised during our interim results that Clover needed to

contend with many complex challenges during the period. The prolonged drought and rand volatility resulted in above inflation input costs which were largely recovered through revenue price increases, but as consumer sentiment was subdued, and competitive pricing ever more aggressive, Clover's volumes and market shares suffered. Clover's price increases during April 2016 and a comparatively wetter and cooler summer negatively impacted sales volumes overall, except for the new yoghurt and custard categories.

The lower volumes increased our inventory levels marginally in the first six months of the year, and as the drought started to abate, it was time to protect our market shares. Clover began dealing in promotions during March 2017, and the regaining of market shares and increased volumes were evident up until the end of June 2017. Revenue from the sale of products increased 3,3% for the year as prices were relatively higher than the comparative period, but at the expense of volumes. While selling prices have improved since April 2016, prices remain stagnant or falling, and volumes also came under pressure limiting the overall revenue growth.

While certain of Clover's brands did not trade in line with volume expectations, the results were further negatively impacted by a decrease in services rendered income. The liquidation of a recently signed principal, and the constrained economic environment contributed to the muted principal revenue. Clover's growth intent to replace the Danone volumes through new partnerships, acquisitions and healthy

sales of our new and existing products was stunted by the overall lower volumes, which needed to bring down unit costs. Declining principal revenue also means that Clover must look deeper to unlock additional cost savings whilst finding new revenue streams.

In addition, the drought had a major impact on the availability and increased cost of raw milk and fruit pulp. At the time of writing this report, the culling of herds due to the drought still negatively impacts the producers and there is a current challenge to supply the forecasted market with milk, however the milk flow during this spring and summer will determine market conditions for next winter.

Clover deliberately maintained its rejuvenated high-volume infrastructure as it was unclear if volumes would return, and fixed costs were therefore relatively stable compared to inflation, and in some instances were even lower and well maintained. Clover however invested significantly in its future through higher marketing costs, research and development costs. Many areas of the business were streamlined, which led to non-recurring once-off restructuring costs of R 46,8 million for the year, considered to be essential investments for the future.

Following a thorough strategic review of the business environment, and Clover's internal capacities, it was concluded that although the drought is largely over, save for the Eastern and Southern Cape, the muted environment will be extended for some time and structural changes in Clover's infrastructure have therefore been introduced to balance its supply and demand expectations in the short to medium-term.

ECONOMIC VIABILITY

Given the constrained economic environment, the burning question for Clover is how to grow sustainably whilst delivering a return to all stakeholders. In the immediate future Clover will be riding out South Africa's limited growth

economy and the after-effects of the southern African drought. We will use this time to recalibrate the supply chain to extract further cost saving efficiencies and examine our portfolio pricing to meet the demands of consumers and grow market shares, and restore growth.

We not only need to consider the unique South African operational complexities, but also the global supply chain pressures. We believe, like many other FMCG businesses, that a step change is necessary in every respect of the current business for not only survival, but to also build solid platforms for when the economy starts to turn. Already we are seeing lower inflation and interest rates, which could free up money in the hands of consumers.

The unbundling of DFSA is the first step to creating a product portfolio that is not exposed to dairy price fluctuations. Clover remains focussed on fully utilising the capacities and asset base that was invested into heavily during the last five years, by encouraging growth in the DFSA products, as Clover will remain a significant service provider to DFSA. Our aim is to continue to tighten integration throughout the value chain to extract efficiencies to remain economically viable.

The combination of stagnant or falling selling prices and rising input costs is forcing Clover to make difficult decisions to sustain short-term operations, while still aligning these decisions with long-term growth objectives. Raw milk, fruit pulp, labour and energy costs have all exceeded inflation. The annual "strike season" is characterised by ever-increasing demands of existing and new unions who may not have a full appreciation of the challenging operating environment that we face. Above the requirements of workers, there are rising demands by government for compliance and an increase in the tax base in the form of sugar taxes.

Clover's continuing economic viability is measurable through financial results and market share growth in various

segments. In our quest to grow our range of branded and value-added products, we frequently identify and assess potential mergers, acquisitions or joint venture opportunities with the view of unlocking possible supply chain synergies. Clover only considers opportunities that will sustainably enhance margin and shareholder returns.

COMPREHENSIVE INCOME

Headline earnings

Headline earnings decreased by 65,9% or R235,0 million to R121,6 million. This decrease in headline earnings is primarily because of:

- headline operating profit, which decreased by 52,3% or R298,4 million
- net finance costs, which increased by 18,0% or R20,3 million
- headline tax expense, which decreased by 63,9% or R72,9 million. The effective tax rate base decreased by 3,9% to 20,6% that is explained in more detail under "Profit for the year" later in this report
- share of profit from a joint venture, which increased by 29,6% or R4,2 million
- non-controlling interests, which decreased by 51,4% or R0,5 million.

Headline earnings per share decreased by 66,2% (125 cents), or 0,3% less than headline earnings, because of script dividends issued during the year.

Profit attributable to shareholders of Clover Industries Limited declined by R192,6 million less than the decrease in headline earnings of R 235,0 million. This was mainly due to profits of a capital nature of R42,7 million after tax (which is excluded from headline earnings).

Chief Financial Officer's report (continued)

Revenue

Revenue improved by 2,4% or R 239,9 million to R10 058,6 million.

Sale of products increased by 3,3% to R9 401,8 million, despite overall volume decreases of 3,5 %. This was primarily due to selling price increases necessitated by the drought to recover farm gate raw milk and ingredients price increases, and muted consumer sentiment. The full implementation of a major retailer's distribution centralisation resulted in additional charges against sales in the form of an increased DC allowance. Retailers have generally also been more aggressive with volume rebates and co-operative advertising campaign requirements.

Services rendered to principals contributed R641,5 million to revenue, which was 6,3% lower than the previous year. The decrease was primarily because of the subdued market conditions of our principals, as well as the liquidation of a recently signed principal. The loss of a major principal in prior periods remains a major disruptor to Clovers' overall revenue growth strategy since listing. The void in services rendered fees has been mitigated by recent acquisitions and new products listings, and the creation of DFSA will see services rendered revenue increase substantially on the back of a volume growth strategy.

Cost of sales

Cost of sales increased by 4,4 % or R307,5 million. Higher selling prices necessitated by rising input costs, required more vigorous advertising campaigns which was further compounded with new product launches, and trade support increased by R3,9 million or 1,9%.

The cost of raw materials and ingredients increased by 6,0% or R217,8 million, while the volumes decreased by 3,5%. Average raw milk prices were 13,0% higher than the previous year, as producers in the primarily industry required protection to stimulate milk flow because of the

drought. The milk flow did not change from the prior year and additional milk is only expected during this spring. Ingredients costs increased by 18,0% (taking the volume decrease into account), mainly due to the lack of availability because of the drought. The 14,8% price and mix variance (excluding volumes) is primarily attributed to the fruit pulp concentrate increases, as well as substantial increases in sugar and artificial sweeteners.

Packaging costs increased by 4,9%, primarily because HDPE bottle prices increased 5,2%, and PET bottle prices increased by 5,5 %. Fortunately, the price of cartons only increased 3,3%, and suppliers offered discounts which offset the weakening in exchange rates.

Milk collection costs decreased by 3,0% or R 9,6 million, given the general volume decrease because of the drought. Total fluids volumes decreased by 1,7%, because of fresh milk volumes decreasing by 8,4% while UHT volumes increased 4,6%.

Manufacturing costs rose by 3,7 % year on year. Considering the volume decrease, this increase was primarily because of wage increases, increased outsourced production, and energy cost increases. The year started with higher inventory levels given the lower sales volumes, but from March 2017 the selling prices eased and production volumes started to increase. Due to the predominantly fixed nature of manufacturing costs and the new factories absorbed into the supply chain, unit manufacturing costs increased 6,7%.

Primary distribution costs decreased 1,9% or R 8,6 million on the back of lower volumes.

Gross profit

Cost of sales increased 4,4% or R307,5 million, in contrast to the 2,4% or R239,9 million growth in revenue. As a result, gross profit percentage decreased from 28,4% to 27,1% and gross profit decreased by 2,4% or R67,7 million. The gross

profit margin was assisted during the year with recipe changes to accommodate the sugar tax, but the full impact will only be realised in future.

Other operating income

Other operating income of R60,0 million mainly constitutes:

- R33,4 million profit on the sale of property, plant and equipment (PPE) and scrap;
- R9,3 million on the sale of Lactolab;
- Sundry income of R5,8 million, largely from the canteen.

Selling and distribution costs

Selling and distribution costs increased by 7,5% or R145,0 million primarily due to the roll-out of the bottom of the pyramid campaign through "Masakhane". Clover's staff structure was optimised and new positions were limited, except for the Masakhane roll-out. Inflationary costs were contained by negotiating more keenly priced contracts, for vehicle and fleet costs, while electricity and fuel costs increases were realised. Clover managed to stabilise and contain costs through an efficiency drive, and secondary distribution costs therefore only grew with 3,0% or R37,5 million, well below inflation.

In total, Clover spent 25,0% or R60,6 million more on advertising, marketing, research and development costs compared to the prior year. Clover leveraged various synergies using an approach focusing on the previous investments in the mother brand, however new product launches and higher selling prices necessitated an increase in spend.

Administrative expenses

Clover reduced administrative expenses by 5,2 % or R15,7 million.

Vacant staff positions were not filled, and top management took a 0% salary increase which helped limit the annual increase in personnel expenditure to just 4,6%.

Head office managed to avoid inflationary increases to overheads and reduced its overall spend by 9,6% or R25,0 million through:

- providing for profit share and other financial linked performance bonuses
- not filling vacant positions, particularly at executive level
- reducing training spend through higher Skills Development Levy (SDL) grants received in this period
- a moratorium placed on legal and consulting fees

Restructuring expenses

Approximately R46,8 million was spent on retrenchment costs, which are classified as restructuring expenses. This was predominantly for consolidating the City Deep distribution centres into Clayville as well as other manufacturing and distribution efficiency drives that will bode well for the future.

Operating profit

Operating profit decreased by 44,3% to R314,5million. Headline operating profit decreased by 52,3% to R298,4 million when excluding capital profits. Normalised operating profit also decreased by 44,7% to R319,9 million.

Our operating margin decreased to 3,1% from 5,7%. The normalised operating margin decreased to 3,2% from 5,9%.

Profit for the year

Profit for the year ended 54,9% or R193,2 million lower at R158,7 million. This result was the outcome of a R250,0 million decrease in operating profit, a R20,3 million increase in net finance charges, a R72,9 million decrease in the income tax expense, and a R4,5 million increase in the share of profits from the Clover Fonterra Ingredients (CFI) joint venture.

The muted results, compounded by higher inventory levels required additional interest bearing debt to fund working capital and capital expenditure on tangible assets.

Clover's effective tax rate was calculated at 20,6%, which is well below the 28% normal corporate tax rate. The effective tax rate was decreased primarily as a result of :

- Non-taxable income -7,6 %
- Non-deductible expenses 2,7%
- Special deductions -1,0%
- Botswana lower tax -1,7%
- Foreign withholding tax -2,4%
- Joint Venture Equity accounted -2,6%

Return on equity

Operating in a constrained economic environment with variable costs increasing ahead of inflation, resulted in Clover's return on equity decreasing from 12,9% to 5,5%.

DIVIDENDS

The Company declared and paid an interim dividend of 24,21 cents per share during April 2017. No final dividend was declared by the board, which will bring the total dividend for the current financial year to 24,21 cents.

The board previously stated that it will during the medium term progressively reduce the dividend cover to lower levels. The total dividends for 2016/17 represent a dividend cover of 2,6 times compared to the 2015/16 dividend cover of 2,9 times. The board's policy to as a minimum maintain dividends in the event that HEPS are less than the previous year, but given the unique circumstances in the economy, and the effective reduction in the dividend cover, no final dividend has been declared as additional working capital is required to restore growth

FINANCIAL POSITION

Non-current assets

Since listing in 2010, Clover has invested heavily in acquisitions and rejuvenating our factories and distribution assets for continual and sustainable growth. This level of investment was needed to maintain Clover's outstanding reputation for quality products. New acquisitions or the internal development of brands and products must support the further build out of this premium status. Our brand reputation is underpinned by Clover's chilled distribution network, which is universally regarded as South Africa's finest. This invaluable asset also required a significant investment to maintain its hard-earned reputation.

Additions and maintenance to assets need to be funded, while also maintaining an optimal debt to equity ratio.

Clover invested capital of R316,9 million into tangible assets. This amounted to a R322,6 million increase in property, plant, equipment and intangibles for the financial year, which excludes the effect of depreciation, disposals and scrapping.

Chief Financial Officer's report (continued)

Major capital projects during the year were:

	R'm
Clayville – Various projects (including visitor centre and distribution cold room expansion)	40,7
Estcourt – Aspen IMF contract	23,7
Lichtenburg – General capital expenditure	14,7
Clover Waters – Move from Inhle to Doornkloof	22,5
RBC – Yoghurt capacity expansion	69,2
Queensburgh – Merging of lines	24,9
Port Elizabeth – General capex and UHT optimisation	17,9
All Production branches – Backup power	17,5

Current assets

Clover stated in our interim results that selling prices were significantly higher to combat the effects of a prolonged drought primarily in the Highveld, Kwazulu-Natal, and the Western and Eastern Cape. The drought in the Highveld and Kwazulu-Natal was subdued with great summer rainfall, while the sub-optimal conditions in the Western and Eastern Cape prevailed. The countries milk flow was relatively stable when compared to the prior year, but the cooler and wetter summer in December 2016, and the higher selling prices, resulted in volumes decreasing, particularly in the beverage segment. This resulted in Inventory levels increasing by 5,2% or R47,7 million in comparison to the previous corresponding reporting period.

Trade and other receivables were relatively stable and only marginally increased because of the overall increase in revenue of 2,4%.

Trade receivable days outstanding and bad debts remained at minimal levels when compared to the combined sales of Clover and those principals for which we provide credit management. (Analysts should note that trade receivable days outstanding cannot be deduced from the financial statements as the full receivables of certain distribution principals are included in trade receivables while the revenue of such principals is not included in the Statement of Comprehensive Income. Only fees earned from providing the services involved are included in revenue).

Equity

The share premium account increased by R 9,9 million over the prior financial year due to the issue of new ordinary shares to settle the elected script dividends from retained earnings.

Non-current liabilities

The lower operating profit, an increased investment in working capital, and capital expenditure was the primary contributor to a R207,5 million net increase in interest bearing debt (both current and non-current).

Apart from interest bearing debt, non-current liabilities were similar to the previous year, with the exception of the deferred tax liability that increased by R28,7 million. The increase is primarily driven by accelerated depreciation allowances claimed for tax purposes, employee related expenses that are only deductible when paid (which reversed in the current year) and deferred tax arising from the Clover Pride business combination

Current liabilities

Clover's lower volumes, accounted for R88,6 million or 6,5% reduction in trade and other payables.

There was a reduction in other current financial liabilities of R19,5 million which is mainly as a result of the diesel hedges coming to an end.

Employee related obligations reduced by 41,4% or R6,9 million which is largely equal to the opposite movement of employee related obligations under non-current liabilities. Overall the obligation increased by 2,5%.

GEARING

Group gearing increased from 44,1% to 51,4 % at 30 June 2017. The increased gearing was primarily because of the lower profits and increased working capital requirements. Clover's gearing is well within our ability to service interest and repayments, but we have limited capacity to fund new growth opportunities. We will focus our gearing to provide working capital for the anticipated restored growth, that will largely be self-funded.

CASH FLOW

Clover's net current assets ratio decreased from 1,6 to 1,4. Excluding inventory, the position deteriorated from 1.1 to 1,0, given the lower operating profit performance.

Cash generated from operations, before working capital changes, totalled R439,2 million compared to R709,7 million reported in the prior year. Lower cash generation was primarily due to the lower profit recorded. In this year, working capital absorbed R162,2 million of cash compared to the R36,2 million of the prior year. Lower volumes because of the higher selling prices given the cooler and wetter summer, Clover spent R 67,8 million more on inventory in comparison to the previous corresponding period. Trade and other receivable slightly increased compared to last year given the marginal improvement in revenue.

Investment activities consumed R277,7 million in cash compared to R332,6 million in the previous year, following the sale of the Bellville and Stikland properties. Clover also spent R49,8 million less capital on tangible assets.

Under financing activities, R260,9 million was paid for finance costs and dividends, compared to R231,7 million in the previous year. Clover utilised R211,3 million of additional debt at the end of the year when compared to the previous year to fund working capital expenditure and capital expenditure on tangible assets.

Clover reported a net decrease in its cash position for the year of R58,7 million.

SEGMENTAL PERFORMANCE

Segmental information is only disclosed to Margin on Materials (MOM) level as Clover's assets and operations are largely integrated between segments, which makes the allocation of overhead costs to the different segments impractical. Overheads are managed at Group level. With the introduction of DFSA, the group needed to implement controls to allocate these cost to an operating profit level. As this will be the first year of operation for DFSA, an agreement has been reached to pilot the allocation and provision was made in the contracts to effect necessary adjustments. Once the DFSA allocations and reports have been completely finalised and tested, it is anticipated that these allocations will be applied to the rest of the segments.

MOM refers to revenue, less raw material, ingredients and packaging costs. Clover's entry into the yoghurt and custard under our own brands necessitated the establishment of a dedicated fermented products and desserts division to manage our yoghurt, custard, and maas. We also established a division for Olives and Soy products, and given the low volumes, this has been disclosed under the "other" segment.

Dairy fluids

The dairy fluids segment is still made up of fresh milk, UHT milk, steri milk, ultra-pasteurised milk and cream. In future, dairy fluids will only contain value added milk, as fresh, UHT,

and ultra-pasteurised will be transferred to DFSA. Botswana and Milkyway will however remain in Clover under this segment.

Revenue for this segment was up 4,9%, but given the average farmgate milk price increase, MOM was down 2,6% to 38,0%.

Average selling price increases of 6,5% materialised, however dairy fluids volumes decreased by 1,7% for the period. Clover's UHT volumes (including DOBs) increased by 4,6%, whilst fresh and ultra-pasteurised milk volumes decreased by 8,4%. Cream volumes decreased by 6,2% given the lack of growth in milk flow because of the drought.

The price and mix variance for raw materials includes an average farmgate milk price increase of 13,0%. The cost of packaging materials increased 5,9% on average, and the price and mix variance for this segment on packaging and material increased 11,04% on average.

The milk collection costs increased by 6,3% net of the volume impact, and this primarily relates to increased labour and energy prices of 8,0%.

Concentrated products

The concentrated dairy products division consists of cheese, butter, and condensed milk.

Revenue in concentrated products remained relatively flat and was assisted with higher selling prices of 9,4%, but given the lower volumes of 12,9%, MOM was rather flat at 30,0%.

Given the global increased demand for butter, and the limited availability of cream, butter and spreads volumes were down 20,0%.

Natural pre-packed cheese volumes were down 25,0% as Clover exited the bulk cheese market, and some bulk products were still sold to other processors in the prior year.

Feta volumes were down 5,3% primarily because of higher pricing, and condensed milk volumes were up 3,5%.

The price and mix variance for raw materials includes an average farmgate milk price increase of 13,0%. The cost of packaging materials increased 5,9% on average, and the price and mix variance for this segment on packaging and material increased 9,5% on average.

The milk collection costs decreased based on volume decreases.

Ingredients

Although Clover does not at present participate actively in the international dairy ingredients market, we balance seasonal milk and cheese production by annually selling excess skimmed milk and whey powder into the local ingredients market.

Revenue for this segment was down 18,9% because of volume losses, but given the selling price increases, MOM increased 17,9% to 32,9%.

Average selling price increases of 14,0% materialised, however ingredients volumes decreased by 33,0% for the period.

The improvement in the cost of material and packaging is directly attributed to the volume decrease, and milk collection costs also improved as a result.

Non-alcoholic beverages

Non-alcoholic beverages consist of pure juices, dairy fruit mix (Tropika), nectar, ice-tea, water, flavoured milk, and the recently launched long life juices.

Revenue for this segment was flat as the prices made up for the volume losses.

Chief Financial Officer's report (continued)

Average selling price increases of 7,9% materialised, however the segment's volumes also decreased by 7,9% for the period. Given the constrained consumer sentiment that was further compounded by the wetter and cooler summer, volumes for pure juice was down 4,8%, dairy fruit mix down 3,8%, nectar up 4,9%, ice-tea down 24,6%, water down 28,4%, and flavoured milk down 6,6%. Clover recently entered the long-life juice segment and gained 6,6% market share.

The price and mix variance for raw materials and packaging of 12,6% includes an average sugar and fruit pulp price increase of 13,0%. The cost of packaging materials increased 5,9% on average, but other ingredients including artificial sweeteners experienced sharp increases.

The milk collection costs improved as volumes decreased.

Fermented products and desserts

This product Group houses the Group's yoghurt, maas, and custard.

Given selling price and volume increases, revenue for this segment was up 16,9%, but given the raw milk and ingredient price increases, MOM was down 1,1% to 27,7%.

Average selling price increases of 9,0% materialised, and fermented products volumes increased by 8,0% for the period. Maas volumes increases 6,0%, yoghurt 5,3%, and custard 32,0%

The price and mix variance for raw materials and packaging of 10,0% includes the average farmgate milk price increase of 13,0%, as well as the cost of packaging materials increase of 5,9% on average. The milk collection costs improved because of efficiency savings.

CONCLUSION

The environment for growth continues to be muted owing to lower than expected domestic GDP estimates and threats of further downgrades. Consumer confidence remains lacklustre with discretionary spend under pressure. The improved outlook for inflation and recent reduction in interest rates should provide some relief although the prospect of future interest rate cuts is uncertain.

While the after effects of the prolonged drought will be felt for some time, a gradual recovery in milk and fruit production volumes together with the strengthening of the rand to the dollar should result in a reduction in input cost inflation.

Despite the challenging economic and operating environment, management is optimistic about the company's future as it looks through the cycle, and focuses on restoring profitability, and is confident that the actions taken to date should benefit the business in the longer term.

Management remains committed to driving volumes and market shares by driving further cost efficiencies, exploring synergistic opportunities to leverage its asset base and infrastructure while growing its value-added product portfolio which is now the core business focus.



Elton Bosch
Chief Financial Officer

11 September 2017



Six year financial review

Summarised results for the year	Increase/ (decrease) 2017 vs 2016	2017 R'000	2016 R'000	2015 R'000	*2014 R'000	*2013 R'000	*2012 R'000
Revenue	2,40%	10 058 599	9 818 717	9 266 251	8 530 237	7 832 911	7 223 863
Operating profit	(44,30%)	314 479	564 450	509 072	282 276	371 624	371 232
Net financing cost							
Current and long-term liabilities	18,00%	(133 118)	(112 825)	(74 064)	(57 809)	(46 717)	(1 855)
Debt portion of preference share capital		–	–	–	–	–	(22 007)
Profit before tax from continuing operations	(59,80%)	181 361	451 625	435 008	224 467	324 907	347 370
Taxes	(63,90%)	(41 105)	(113 992)	(100 286)	(49 791)	(99 022)	(137 654)
Share of profit of joint ventures	29,50%	18 486	14 268	10 939	14 306	13 974	–
Non-controlling interest	(51,40%)	(484)	(995)	4 684	(2 316)	(1 233)	(4 426)
Profit attributable to equity holders of the parent	(54,90%)	158 258	350 906	350 345	186 666	238 626	205 290
Headline earnings attributable to equity holders of the parent	(65,90%)	121 617	356 594	319 343	187 464	214 894	207 800
Normalised earnings		2017 R'000	2016 R'000	2015 R'000	2014 R'000	2013 R'000	2012 R'000
Operating profit		314 479	564 450	509 072	282 276	371 624	371 232
Adjusted for exceptional items:							
(Profit)/loss on sale and scrapping of property plant and equipment and other assets		(33 404)	(20 869)	(38 950)	5 102	(11 680)	(878)
Gain on fair valuing of existing investment in joint venture due to acquiring control		–	–	–	–	(16 747)	–
Discount on acquisition of PPE by Clover Waters through issue of shares		–	–	–	(20 716)	–	–
Bargain purchase at acquisition of stake in Clover Good Hope		–	(1 721)	–	–	–	–
Profit on Sale of Lactolab		(9 270)	–	–	–	–	–
Retrenchment costs		46 779	8 493	8 156	7 174	17 184	3 629
Legal and professional services costs associated with the listing		–	–	75	141	49	–
Release of foreign currency translation reserve in abandonment of foreign operations		–	28 366	–	–	–	–
Other restructuring cost		1 319	–	241	8 721	18 517	5 944
Normalised operating profit		319 903	578 719	478 594	282 698	378 947	379 927
Net financing cost		(133 118)	(112 825)	(74 064)	(57 809)	(46 716)	(23 862)
Tax expense							
Total tax expense		(41 105)	(113 992)	(100 286)	(49 791)	(99 022)	(137 654)
Other non-recurring tax adjustments		–	–	–	–	–	18 254
Taxation adjustment on exceptional items		(7 434)	(2 466)	5 576	(4 286)	(8 453)	(2 745)
Share of profit of joint ventures after tax		18 486	14 268	10 939	14 306	13 974	–
Non-controlling interest		(484)	(995)	4 684	(2 316)	(1 233)	(4 426)
Non-controlling interest's portion in discount on acquisition of PPE by Clover Waters through issue of shares		–	–	–	6 215	–	–
Non-controlling interest's portion of restructuring cost of subsidiary		–	–	–	(741)	–	–
Normalised profit attributable to equity holders of the parent		156 248	362 709	325 443	188 276	237 497	229 493

* From 2014 all joint ventures were equity accounted. The figures for 2013 were restated to show this effect. The figures for 2012 have not been restated.

Six year financial review (continued)

	2017 R'000	2016 R'000	2015 R'000	**2014 R'000	**2013 R'000	**2012 R'000
Dividends						
Equity dividends – ordinary shares	114 802	108 755	71 624	69 342	41 912	53 734
Preference dividends recognised as interest	–	–	–	–	20 346	22 007
Earnings and dividends per share	Cents	Cents	Cents	Cents	Cents	Cents
Equity dividends per ordinary share – Interim	24,21	24,21	22,6	16,0	10,0	15,0
Equity dividends per ordinary share – Final	–	40,94	33,4	16,0	22,0	13,4
Preference dividend recognised as interest per preference share	–	–	–	–	22,7	24,6
Earnings per ordinary share	83,1	185,9	190,4	102,3	133,1	114,6
Diluted earnings per ordinary share	82,3	181,8	182,0	97,3	123,8	107,4
Headline earnings per ordinary share	63,9	188,9	173,6	102,7	119,9	116,0
Diluted headline earnings per ordinary share	63,2	184,7	165,9	97,8	111,5	108,7
Normalised earnings per share, calculated by dividing the normalised profit by the weighted average number of ordinary shares	82,0	192,2	176,9	103,2	132,5	128,1
Summarised statement of financial position	R'000	R'000	R'000	R'000	R'000	R'000
Non-current assets	3 120 227	2 972 730	2 752 656	2 302 052	1 997 482	1 526 306
Deferred taxation asset	45 496	37 019	32 696	8 919	6 722	492
Current assets	2 882 420	2 856 294	2 689 485	2 298 621	2 413 733	2 336 745
Total assets	6 048 143	5 866 043	5 474 837	4 609 592	4 417 937	3 863 543
Shareholders' funds	2 894 862	2 865 412	2 571 338	2 252 270	2 113 116	1 894 244
Non-controlling interest	(15 179)	23 305	13 510	20 471	2 309	1 796
Non-current portion of interest-bearing borrowings	767 621	931 455	681 601	662 357	666 640	21 686
Non-current portion of provisions	82 595	73 474	74 901	67 615	60 814	61 637
Non-current portion of trade and other payables	25 492	19 311	21 459	4 351	9 267	6 904
Other non-current financial liabilities	66 771	2 199	2 716	–	–	–
Deferred taxation liability	221 065	192 358	188 253	179 023	137 313	116 950
Current portion of interest-bearing borrowings	714 304	343 015	573 576	214 495	172 646	421 376
Current liabilities excluding interest-bearing borrowings	1 290 612	1 415 514	1 350 199	1 209 010	1 255 832	1 338 950
Total equity and liabilities	6 048 143	5 866 043	5 474 837	4 609 592	4 417 937	3 863 543
Net assets	2 879 682	2 888 717	2 584 848	2 272 741	2 115 425	1 896 040
Replacement value of property, plant and machinery*	9 771 296	9 116 408	7 577 153	7 577 153	6 106 300	5 746 800

* Replacement value of property, plant and machinery is determined by an external valuator.

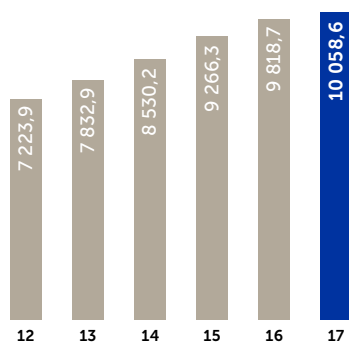
** From 2014 all joint ventures were equity accounted. The figures for 2013 were restated to show this effect. The figures for 2012 have not been restated. A list of all definitions used in the above calculation is set out on page 244.

Number of shares in issue	2017	2016	2015	*2014	*2013	*2012
Number of ordinary shares in issue at year-end	190 835 364	190 314 350	187 731 138	182 478 589	181 218 149	179 111 867
Weighted average number of ordinary shares	190 433 237	188 733 409	183 989 596	182 478 589	179 267 674	179 111 867
Weighted average number of ordinary shares for calculation of diluted earnings	192 358 073	193 021 978	192 466 775	191 767 408	192 750 186	191 127 152
Number of preference shares in issue at year-end	–	–	–	–	–	89 442 022
Weighted average number of preference shares	–	–	–	–	–	89 442 022
Cash flow	R'000	R'000	R'000	R'000	R'000	R'000
Cash flow from operating activities	276 956	673 448	160 185	403 067	219 198	417 910
Cash (used in)/from investment activities	(277 708)	(332 629)	(556 822)	(351 734)	(515 811)	(256 150)
Cash flow/(outflow) from financing activities	(57 982)	(212 426)	218 097	(97 780)	297 159	(272 951)
Cash flow from operating activities per share (cents)	145,4	356,8	87,1	220,9	122,3	233,3
Ratios and returns	%	%	%	%	%	%
Operating profit to revenue	3,1	5,7	5,5	3,3	4,7	5,1
Normalised operating profit	3,2	5,9	5,2	3,3	4,8	5,3
Return on net assets	6,8	13,2	13,5	8,6	13,1	14,9
Return on net assets excluding exceptional items	6,9	13,5	12,7	8,6	13,4	15,2
Return on equity holders' funds	5,5	12,9	14,5	8,6	11,9	11,3
Return on equity holders' funds excluding exceptional items	5,4	13,3	13,5	8,6	11,9	12,6
Gearing percentage (net of cash)	32,5	23,2	30,2	9,8	6,4	-14,2
Effective tax rate	20,6	24,5	22,5	20,9	29,3	39,6
	Times	Times	Times	Times	Times	Times
Net asset turn	4,4	4,5	5	5,6	6,2	6,8
Current ratio	1,4	1,6	1,4	1,6	1,7	1,3
Employees statistics	Number	Number	Number	Number	Number	Number
Average number of employees	8 796	8 456	7 177	6 393	6 519	6 555
	R'000	R'000	R'000	R'000	R'000	R'000
Revenue per employee	1 143,5	1 161,2	1 291,1	1 334,3	1 201,6	1 102
Operating profit per employee	35,8	66,8	70,9	44,2	57	57
Normalised operating profit	36,4	68,4	66,7	44,2	58	58
Average net assets per employee	327,9	323,6	338,4	343,2	307,7	278

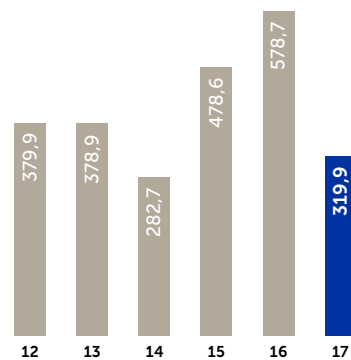
* From 2014 all joint ventures were equity accounted. The figures for 2013 were restated to show this effect. The figures for 2012 have not been restated. A list of all definitions used in the above calculation is set out on page 244.

Financial highlights

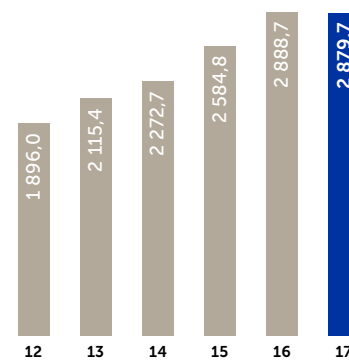
Revenue
(R'm)



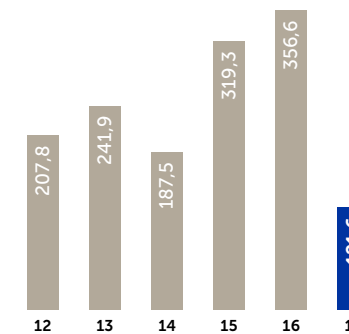
Normalised Operating Profit
(R'm)



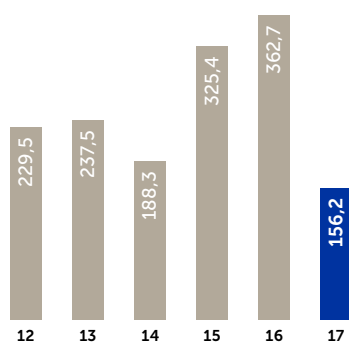
Net asset value
(R'm)



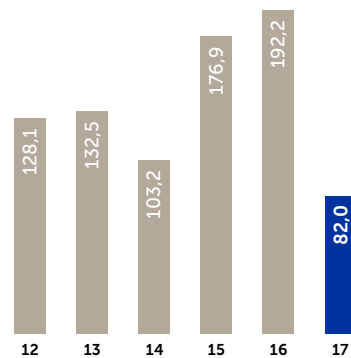
Headline earnings attributable to equity holders of the parent (R'm)



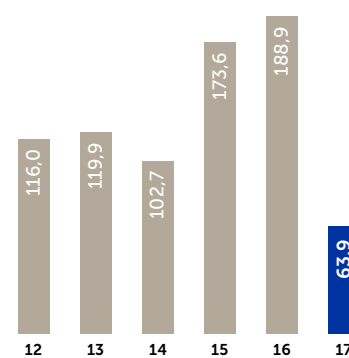
Normalised profit attributable to equity holders of the parent (R'm)



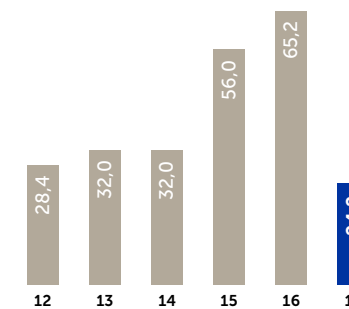
Normalised earnings per share
(cents)



Headline earnings per share
(cents)



Dividends per share declared relating to each financial year (cents)







DAIRY CONCENTRATED PRODUCTS

MARKET SHARE
in natural
pre-packed
cheese was

18,5%

at 30 June 2017

DAIRY
CONCENTRATED
PRODUCTS
contributed

13,96%

to Clover's total sale of
products for the period

CLOVER'S MARKET
SHARE IN BUTTER IS

28%

and in Feta cheese

24,7%

Report on governance, risk and compliance

Report on governance, risk and compliance

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 Committees

The governance of risk

IT Governance

Compliance with laws, codes, rules and standards

Internal Audit

Integrated reporting

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

Governing stakeholder relationships

Internal Audit

Integrated reporting



SIX CAPITALS



REPORT ON GOVERNANCE, RISK AND COMPLIANCE

Clover vigilantly protects and builds on its reputation, having been voted the most reputable brand in South Africa for 2016 and 2017.*

*2016 and 2017 South Africa Reprtrak® Study.

2017 KEY GOVERNANCE MILESTONES

Clover achieved the following salient governance milestones during the year under review:

- Following the retirement of several board members in the prior financial year, the board and sub-committee compositions were reviewed and were confirmed as adequate in terms of regulatory guidelines and the Company's needs.
- In addition, the board and sub-committee charters were reassessed to ensure that the content remains relevant, complete, accurate and compliant and were subsequently tabled for board approval.
- The board adopted a new Gender Diversity Policy with the aim to guide and assist the board in promoting gender diversity at board level and to achieve diversity and transformation goals.
- The independence of the auditors was reviewed by the audit and risk committee to ensure the autonomy and objectivity of internal and external auditors.
- The board were continuously updated on topical issues affecting the business and, in particular, new developments in the regulatory and compliance sphere. Since the release of the draft King IV code on governance, information sessions on the proposed

changes have been delivered to the board and a gap analysis vis-à-vis King III was performed with no material gaps identified.

- The board adopted a new Transfer Pricing Policy to ensure that arm's length principles are followed by Clover employees in their dealings with, *inter alia*, connected persons who are not tax residents of South Africa.
- The internal auditors were reviewed by the audit and risk committee focusing on their performance, competency and independence. After due consideration, the audit and risk committee were satisfied with the performance, competency and independence of the internal auditors.

Reputation as a value driver

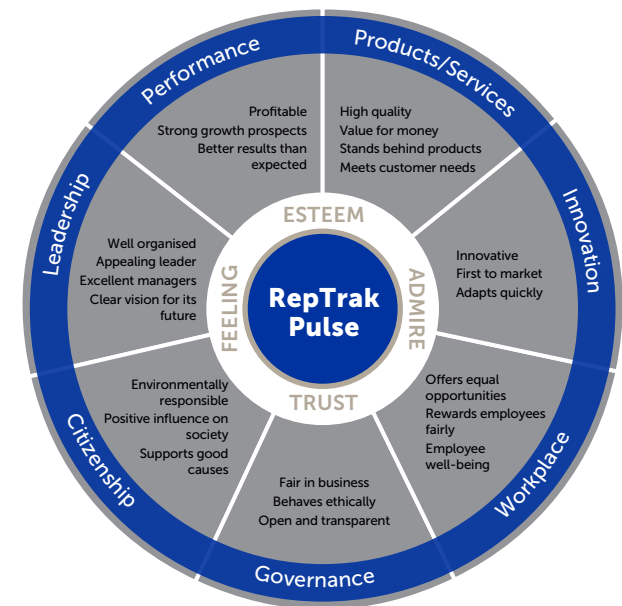
Clover achieved the distinction of being awarded the coveted title of "most reputable company in South Africa" for the second consecutive year in the Reputation Institute's RepTrak study.

The study, conducted by Reputation House, measures reputation against four key themes, namely esteem, admire, trust and feeling. It also includes seven reputation dimensions: product/services, innovation, workplace, governance, citizenship, leadership and performance.

To be included in the study, companies had to score at least a 50% familiarity level with the public. Fifty well recognised companies in South Africa, across various industries from retail to financial and telecommunications, were measured.

Clover scored 80.3 out of a possible 100 (78.1 in 2016). In terms of the seven reputation dimensions, Clover placed first in products/services and citizenship, second in performance and innovation and third in workplace, leadership and governance.

RepTrak model

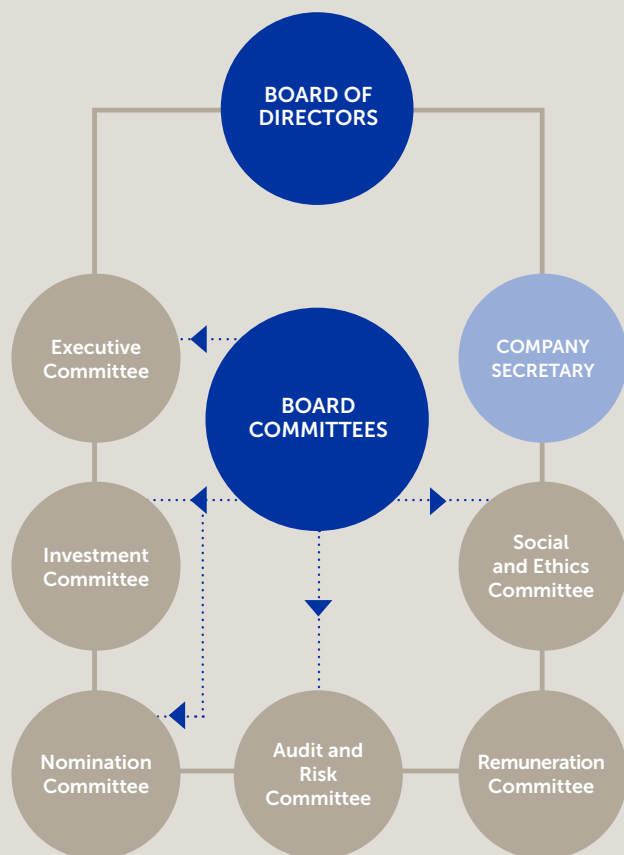


Responsibility to ensure good governance

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 Clover's business.

Report on governance, risk and compliance (continued)

Governance structure



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 conformed throughout the reporting period to King III and the JSE's Listings Requirements with certain limited exceptions. Where Clover has partially complied or not complied with these provisions, we have provided motivations and reasons as listed in the King III index which is available on page 72 of this integrated report. During the year under review the new King IV code was published, effective 1 April 2017. Clover has reviewed its conformance the new King IV code and will report on its compliance therewith in its next integrated report.

Deloitte Touche Tohmatsu Limited (Deloitte) performed the function of Internal Auditor and assessed the governance structures and processes that executive management has established. Deloitte found the internal controls over reviewed operations and related activities to be adequate and effective in all significant respects. Deloitte did provide recommendations to further improve and mature some of the controls. Deloitte also found Clover's governance practices to be adequate and effective.

The table below indicates management's conclusions over Clover's management process:

Review area	Management view on adequacy	Management view on effectiveness
Ethical leadership and corporate citizenship	Adequate	Effective
Board of directors	Adequate	Effective
Audit and Risk committee	Adequate	Effective
Governance of risk	Adequate	Effective
Governance of Information Technology	Adequate	Effective
Compliance with laws, codes, rules and standards	Adequate	Effective
Internal audit	Adequate	Effective
Governing stakeholder relationships	Adequate	Effective
Integrated reporting and disclosure	Adequate	Effective

Ethical leadership and corporate citizenship

The Board has adopted a code of ethics which is continuously reviewed and updated as required. This code defines Clover's main ethical standards of responsibility, integrity, fairness, accountability and respect. The code of ethics contains examples of unethical conduct and disclosure requirements for gifts and outside interests that would require pre-approval.

Employees are kept aware of the importance of ethical behaviour through regular branch level ethics awareness sessions. These sessions reinforce Clover's ethics hotline as a key feedback channel and educates employees on when and how it should be used. This code is used as a benchmark against which Clover is managed, taking into consideration the social, political and operational environments in which the business conducts itself. Management, employees and other stakeholders are encouraged to make use of the Clover's ethics hotline. This facilitates reporting of any suspicion and/or awareness of non-adherence to the code of ethics. Clover's ethics hotline is managed independently by Deloitte who has been contracted to treat every incident reported as confidential.

As an iconic brand in the branded consumer goods industry, Clover is aware of and vigilantly protects its outstanding reputation. During the reporting period, no material ethical leadership or corporate citizenship deficiencies were identified or reported.

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 Deloitte
- The Ethics Hotline
- Clover's Competition Law Centre of Excellence.

No requests in terms of the Promotion of Access to Information Act (PAIA) were received during the reporting period. Clover complied in all material aspects with all relevant legislation and was not subject to any penalties, fines or criminal procedures.

The board is ultimately responsible for effective corporate governance.

The board's terms of reference are formalised in a board charter ("Board Charter"). The Board Charter sets out the responsibilities which is reviewed on an annual basis. During the annual review for the reporting period, consideration was paid to the reduced size of the board. Following an intensive evaluation process, it was concluded that the smaller board encourages greater interaction, more robust discussion by all members and stronger participation at sub-committee level. In addition, the current board composition was confirmed as meeting regulatory standards and guidelines. All board sub-committees operate under board approved mandates and terms of reference. Save for the executive committee, all other committees are chaired by an independent non-executive director.

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 the board members are appointed by Clover'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 subsequent 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 offer. The nomination committee, as a sub-committee of the board, is tasked with identifying and recommending suitable candidates for the board's formal consideration. Clover's empowerment and transformation objectives are considered as part of this exercise. During the year under review, the board adopted a Gender Diversity Policy with the aim to guide and assist the board in promoting gender diversity at board level. The board acknowledges the importance of diversity in the boardroom as a driver of board effectiveness and embraces the benefits of having a diverse board. Increasing diversity at board level as an essential element in maintaining a competitive advantage.

The Board will use its best endeavours to ensure that the Board at all times have at least 2 (two) female directors appointed to the Board. The target has been achieved for the year under review.

Notwithstanding the aforementioned voluntary targets, all appointments to the Board will be made on merit while taking into account suitability for the role, board balance and composition, the required mix of skills, background, experience and gender.

Further, the Board will consider the balance and mix of skills, experience, independence and knowledge and the diversity representation on the Board, including gender and race, how the Board works together as a unit, and any other factors relevant to its effectiveness when considering the appointment of any director.

The Nomination Committee will annually consider and determine whether the existing voluntary targets, for achieving diversity on the Board should be amended and recommend the same to the Board for approval and adoption.

Report on governance, risk and compliance (continued)

New appointees are formally inducted and familiarised with Clover's business.

Clover's day-to-day business activities are overseen by its 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 director and prescribed officer liability insurance was in place.

To ensure conflicts of interest are avoided the board members annually provide a general disclosure of their personal financial interests in terms of section 75 of the Companies Act 2008, and are reminded at the commencement of every board and board committee meeting that they are required to declare any material personal financial interests that they may have in contracts entered into or authorised by the company or in any matters to be discussed at the meeting, as well as any changes to their interests as previously declared.

The board is required to assess its performance against the Board Charter requirements on an annual basis. The assessment was completed and it was found that in all material respects the board complied with these requirements. The chairman continues to monitor and manage the participation of the board's members, and considered the development requirements, if any, of each director.

Board composition

At the end of the review period, the board consisted of two executive directors and five non-executive directors, three of whom are independent.

Mr Tom Wixley, who served as Clover's lead independent director since listing, announced his retirement effective from 28 November 2016 (date of the annual general meeting). Following Mr Wixley's retirement, Dr Steve Booysen fulfilled the role of lead independent director.

Mr Peter Griffin, a non-executive director retired from the board also effective 28 November 2016. Further, Mr Johan du Plessis, a non-executive director announced his retirement from the board effective 11 January 2017. The board does not anticipate appointing a new Non-Executive director.

Subsequent to the financial year-end, Mr Elton Bosch, the company's Chief Financial Officer, announced his resignation. Mr Bosch's employment and directorship will continue until the end of December 2017 and he has committed to assist us during this transitional period to ensure the desired continuity in the business. The process to appoint a successor and achieve a smooth transition is underway.

In terms of the Company's Memorandum of Incorporation and best practice, at least one-third of the board's members retire each year at the annual general meeting. Retiring directors are eligible for re-election.

Details of the directors are available on pages 22 and 23 of this report. Clover's board comprises a majority of independent non-executive directors, to entrench the desirable balance of power and authority at board level. No individual director has unfettered powers of decision-making.

Company secretary

Mr J van Heerden is the company secretary of Clover and was appointed as such with effect from 1 September 2012. He is not a director of Clover, although he serves as a director on the boards of various Clover subsidiaries. This relationship does not affect his arm's length relationship

with the board. The company secretary is appointed and removed by the board and is responsible to the board for ensuring that procedures and regulations are complied with and that directors are conversant with their duties and responsibilities. Clover's directors have unfettered access to the advice and services of the company secretary and may seek independent professional advice on Clover's affairs if they believe that such actions will best serve the interests of Clover.

The company secretary is further responsible for the duties set out in section 88 of the Companies Act and for ensuring compliance with the Listings Requirements of the JSE Limited. The company secretary also provides an important communication channel with investors and liaises with the Group's transfer secretaries and sponsors on relevant matters. As required by King III, the company secretary also acts as secretary to the various sub-committees of the board and attends all meetings of the board and the committees. The company secretary is also the compliance officer and ensures that the Group complies with all the required legislation and regulations applicable to its various business activities.

In compliance with the JSE Listings Requirements, a detailed assessment was conducted by the board to satisfy itself of the competence, qualifications and experience of the company secretary. This was performed through:

- A review of qualifications and experience: Mr Van Heerden holds a LLB (with distinction) degree from the University of Pretoria and is an associate of Chartered Secretaries of Southern Africa.
- Assessments by the directors of the competency of the company secretary: A formal assessment is done by the Board annually requesting the views of each director on his/her view on the competence, qualifications and experience of the company secretary. No exceptions were noted during any of the assessments conducted since Mr Van Heerden's appointment.

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 and is satisfied with the competence, qualifications and experience of Mr Van Heerden to act as the company secretary.

The certificate of Jacques van Heerden, the company secretary, appears on page 148 of this Integrated Annual Report.

Board committees

The board has mandated several 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

H Lubbe

MM Palmeiro

J van Heerden

JH Vorster – Chairperson

Directors, executives 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 – (retired 11 January 2017)

B Ngonyama – Chairperson

TA Wixley – (retired 28 September 2016)

N Mokhesi – (appointed 1 January 2017)

The audit and risk committee comprises only of 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 146 to 147 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 – Chairperson

WI Büchner

JNS du Plessis – (retired 11 January 2017)

TA Wixley – (retired 28 November 2016)

N Mokhesi – (appointed 1 January 2017)

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 77 to 88 and sets out its responsibilities as well as its delivery against these.

Social and ethics committee

Dr SF Booysen ER Bosch

N Mokhesi – Chairperson

TA Wixley – (retired 28 November 2016)

N Smith – (appointed 28 November 2017)

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 that 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 workplan, the implementation of certain actions has 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 the six capitals approach to Clover's sustainability is available on www.clover.co.za as well as on pages 91 to 142 of this report.

Nomination committee

Dr SF Booysen – Chairperson (elected 28 November 2016)

WI Büchner

TA Wixley (retired 28 November 2016)

N Mokhesi – (appointed 28 November 2016)

Report on governance, risk and compliance (continued)

The nomination committee is tasked with the regular review of the board's structure, size and composition and with making recommendations in this regard, taking cognisance of the company's strategies and operating environments. The committee will nominate applicant directors to the full board, which will formally and transparently consider these nominations. The committee is furthermore responsible for ensuring that an appropriate balance exists between executive, non-executive and independent non-executive directors, as well as for classifying directors as being independent in line with King III principles. 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 chairperson of the board with the annual performance reviews of board and sub-committee members. It supports 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 – Chairperson

WI Büchner

NA Smith

TA Wixley (retired 28 November 2016)

B Ngonyama – (appointed 1 January 2017)

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.

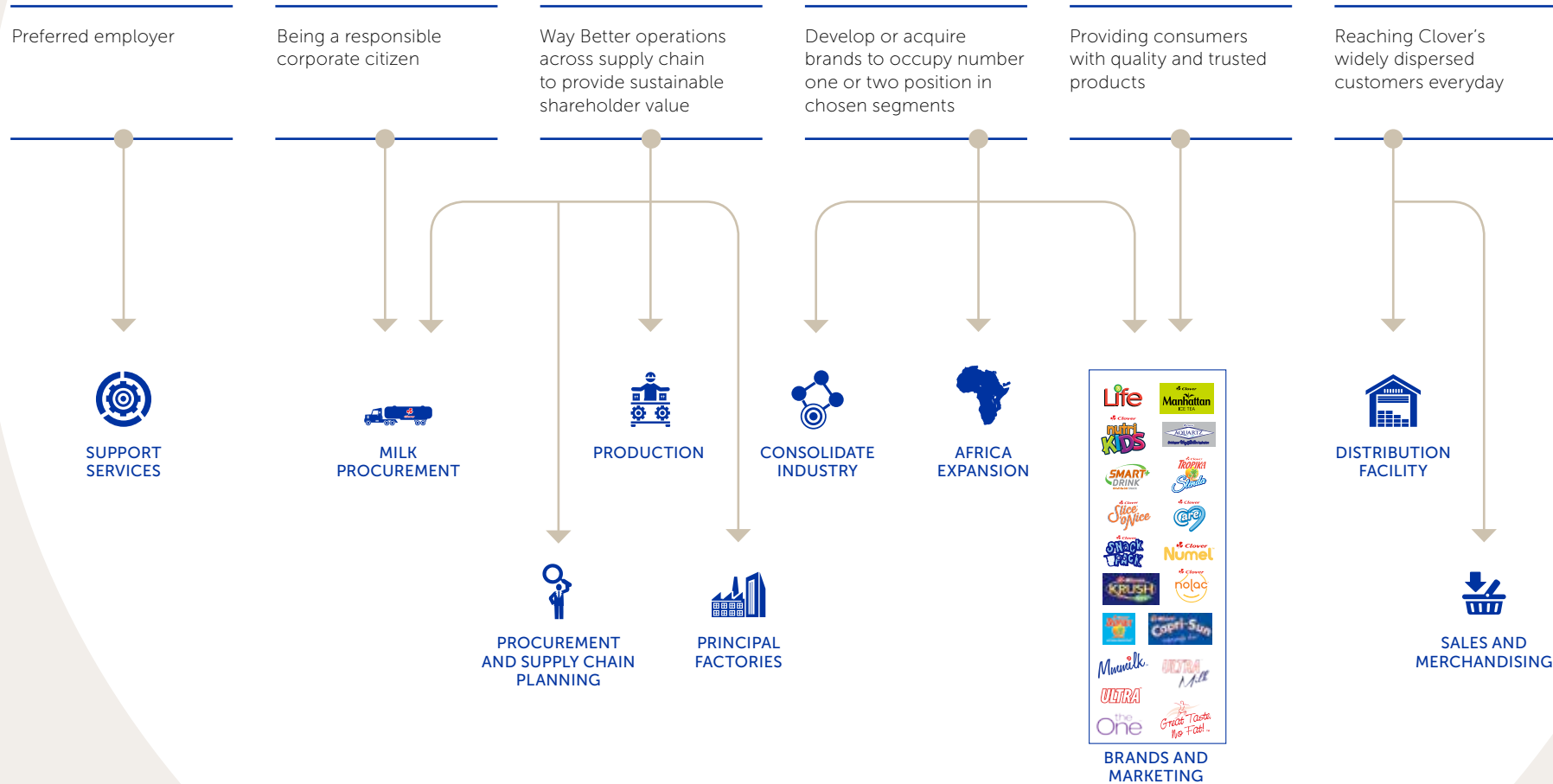




OUR VISION



To be a leading branded foods and beverages group in South Africa and selected other African countries, providing accessible nutrition to all consumers. ”

OUR MISSION





Clover's risk universe

Clover determined the Group's material inherent risks in achieving strategic short-, medium- and long-term value creation goals in the context of the Six Capitals. The management risk committee consisting of senior management and executives regularly reviews the risk management process to improve identification, assessment and monitoring of risk to ensure Clover responds timeously in a continuously changing business environment.

Capital	Principal risk	Context	Mitigating actions
 <p>Intellectual capital</p>	<p>Inability to recover above-inflation input costs negatively impacting sales volumes and prices</p>	<p>The prolonged drought and rand volatility resulted in above-inflation input costs which could not be recovered through revenue price increases as consumer sentiment was subdued and competitor pricing aggressive.</p> <p>Clover's price increases during April 2017 and a comparatively wetter and cooler summer negatively impacted sales volumes.</p> <p>Furthermore, the proposed sugar tax on beverages expected to be implemented during the latter part of 2017 may place further pressure on Clover's profit margin.</p>	<ul style="list-style-type: none"> • Clover is actively participating in promotional activity to stimulate volume growth and market shares, improving product profitability. • Management is driving cost efficiencies through optimisation initiatives. • Price premiums are monitored closely to ensure minimal impact on volumes. • System readiness assessments to be performed following publication of draft Health Promotion Levy on sugar is published. Expected to be levied similar to existing excise duties.
 <p>Financial capital</p>	<p>Financial underperformance against market expectations compared to its peer group constraining share price leading to higher cost of capital</p>	<p>The market compares Clover's financial performance against those of diversified branded FMCG companies, as opposed to the performance of food producers per se.</p> <p>Price and volume pressure have constrained Clover in reaching its growth targets, with lower profit attributable to shareholders.</p> <p>Clover needs to maintain its attributable profit base, as a risk of not doing so would make its operating model questionable which could lead to structural changes that may necessitate a business model change</p>	<ul style="list-style-type: none"> • Deliver against profit forecasts by stimulating volume growth and market share as described in Intellectual Capital above • Manage expenditure and ensure that capital expenditure incurred render projected returns as stated in each business case. • Extensive cost saving initiatives have been implemented for the new budget year to June 2018 • Cost savings to be driven through optimisation initiatives • Gearing managed optimally

Capital	Principal risk	Context	Mitigating actions
<p>Human capital</p>	<p>Unstable labour environment with increased pressure on labour costs</p>	<p>Due to the perishable nature of our products, industrial action can potentially severely impact revenue generation and the supply chain</p> <p>Wage negotiations negatively impacted by demands from two largest unions vying for members</p>	<ul style="list-style-type: none"> • Communication channels with labour are being enhanced to address business risks. • Business continuity plans have been updated to mitigate potential industrial action. • Arbitration channels employed to amicably settle wage disputes
<p>Manufactured capital</p>	<p>The protracted drought and rising input costs continued to place pressure on producers, impacting viability of primary industry</p>	<p>Clover increased the price it pays for raw milk to ensure sustainability of the primary industry</p> <p>Limited growth opportunities for producers</p> <p>Ingredient and concentrates costs substantially increased.</p>	<ul style="list-style-type: none"> • Clover continuously monitors the milk price to feed cost ratio to ensure a market-related price is paid to secure milk supply. • New growth markets are being pursued through Clover Fonterra Ingredients (CFI) and our African expansion initiatives. • Formation of DFSA to enable farmers participation across the production chain and create further volume growth opportunities
<p>Manufactured capital</p>	<p>Maintenance of excess manufacturing capacity in expectation of volume returns and sub-optimal location of some manufacturing lines impacted ROE</p>	<p>Clover deliberately maintained its rejuvenated high-volume infrastructure as it was unclear if volumes would return, and fixed costs were therefore relatively stable compared to inflation.</p> <p>Following a thorough strategic review of the business environment, and Clover's internal capacities, it was concluded that the muted environment will be extended for some time and structural changes in Clover's infrastructure have therefore been introduced to balance its supply and demand expectations in future.</p>	<ul style="list-style-type: none"> • Project Sencillo is focusing on opportunities to drive improved efficiencies in Clover's supply chain with various consolidation considerations. • Consolidation is expected to lead to better by-product utilisation as well as increase efficiencies and subsequent cost savings considerably.

Clover's risk universe (continued)

Capital	Principal risk	Context	Mitigating actions
 <p>Manufactured capital</p>	<p>The release to market of potentially harmful products or products not conforming to specification</p>	<p>Contamination is possible through incorrect use of chemicals, inhibitors, pathogens or other harmful substances and is most often caused by human error, negligence or incompetency.</p>	<ul style="list-style-type: none"> • All South African Clover factories are HACCP certified and accredited by third-party auditors. • Accredited systems and processes are in place according to which Clover products are produced in line with international best practices for quality, hygiene and food safety. • Clover implemented a programme during the year under review to upgrade all our quality systems to comply with the latest and world-wide accepted FSSC 22000 Quality Management system.
 <p>Intellectual capital</p>	<p>Non-compliance with legislation</p>	<p>Non-compliance with legislation could lead to material penalties, fines or imprisonment.</p> <p>Considering the financial impact of transgression and limited ability to enforce and monitor compliance, a material risk remains despite mitigants such as training.</p> <p>The Competition Commission is seeking to step up its actions against anti-competitive behaviour to discourage potential collusion in especially the private sector.</p>	<ul style="list-style-type: none"> • Clover established a Competition Law Policy with continuous compliance monitoring and training of personnel • Clover established the Competition Law Centre of Excellence and is supported by Herbert Smith Freehills LLP

Capital	Principal risk	Context	Mitigating actions
<p>Intellectual capital</p>	<p>Retail centralisation leading to a sub-optimal distribution network, with principal income also under pressure</p>	<p>The retail industry is evolving to an average daily rate of sale, whereby future customer orders are based on point of sale data. This allows retailers to take control of ordering and instore planning.</p> <p>As a result, low periodic product sales volumes may cause the retailer to stop ordering a certain non-performing product line.</p> <p>A large retailer has embarked on implementing a process that requires Clover to deliver to its distribution centre only, while all distribution to its stores will henceforth be done by the retailer.</p>	<ul style="list-style-type: none"> • Clover is focussed on enhancing its distribution model to extract efficiencies. • Management will continue to identify new principals and alternative distribution opportunities. • Expansion opportunities of Clover's merchandising services is currently being considered as a growth area • Clover has embarked on a Section 189 restructuring process, effective from 1 July 2017 to reduce drivers and driver assistants because of retailer centralisation and a general reduction in sales volumes in view of the current economic climate.
<p>Financial capital</p>	<p>Challenges in the global and South African economy impacting Clover's operating environment</p>	<p>Although current statistics suggest a more stable global economic environment, the domestic market remains exposed to policy and political uncertainty, rising interest rates, further Rand weakness, credit rating downgrades and a world-wide trend towards nationalism and protectionism.</p> <p>Domestically, difficult economic conditions are expected to continue for the first half of 2018 with regulatory changes such as sugar tax and expected higher than inflation utility increases impacting consumers further.</p>	<ul style="list-style-type: none"> • Clover places forward cover on foreign exchange needs, where appropriate, but will only gain a short-term benefit should exchange rates remain at weakened levels. • Supplier agreements are continuously renegotiated to improve cost efficiencies. • Commodity prices are monitored monthly through the CFI trading desk to realise optimal pricing.
<p>Intellectual capital</p>	<p>Cyber security</p>	<p>Ransomware may be uploaded to Clover's information systems through irregular use, exposing the Company to malicious viruses and the possibility of hijacking for ransom.</p>	<ul style="list-style-type: none"> • Clover IT has implemented a variety of security tools to monitor its infrastructure and activity on the network. • These include scans that identify and rate the infrastructure's external and internal vulnerabilities, enabling Clover to take immediate action should security threats be identified. • Clover has a Security Information and Event Management (SIEM) tool used for real-time analysis of security alerts, supported by a comprehensive antivirus system and a firewall that protects against advanced digital threats.

Governance of risk

Effective risk management aligns risk and opportunities to Clover's vision and mission. Proactive risk management practices ensure governance mechanisms are effective across the value chain, and focusses on both strategic and operational risks, while aligning enterprise-wide risks and opportunities. Growing shareholder value forms the basis of our risk management strategy and allows Clover to take calculated risks in a manner that does not jeopardise the direct interests of stakeholders. Clover's risk profile stipulates a prudent approach to risks, as shown in decisions on risk tolerance and mitigation.

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.

To ensure a consistent approach to risk management throughout Clover, the Board annually approves the Enterprise Wide Risk Management ("ERM") Framework and Policy that defines Clover's risk-bearing capacity, risk appetite and risk tolerance. This policy and framework incorporates generally accepted risk management practices and the integrated framework on Enterprise Risk Management disseminated by the Committee of Sponsoring Organisations (COSO), while strengthening the link between risk and strategy. The policy and framework is essential to embed risk management into key decision processes of all subsidiaries, support functions, processes, projects and entities controlled by Clover.

Management continues to mature and integrate risk processes into business processes, and risk limits are reviewed annually. This exercise includes setting authorisation thresholds for pursuing strategies within the predetermined levels of risk appetite, as well as setting risk tolerances for operational functions. These risk limits are used to compile the risk impact categorisation table,

which is used for measuring and prioritising risks according to the materiality of the risk's potential impact values.

Management has been charged with the design, implementation and monitoring of Clover's risk management structures. Each business unit conducts quarterly risk assessments to monitor the efficiency of these structures. Clover records and manages its risk universe on the BarnOwl risk management system, which prioritises material, inherent and residual risks.

The Management Risk Committee meets each quarter to table Clover's key risks as well as the status of mitigating action plans. Key risks and mitigating actions are reported to the Audit and Risk Committee quarterly. On material inherent risks, dependent on effective control measures in keeping residual risks at acceptable levels, Clover annually revises its combined assurance plan for material risks to gain assurance from internal and/or external identified assurance providers in accordance to the four levels of defence.

In the 2016 financial year, Deloitte was appointed by Clover as part of the internal audit coverage plan to review the maturity and effectiveness of risk management function against Clover's Enterprise Wide Risk Management Framework and the principles of the King III Code. Deloitte was tasked with providing appropriate recommendations for improving Clover's risk management policy and processes. Deloitte concluded that management had solidly embedded risk management processes across the organisation to establish a well-defined risk function. Based on its review of risk management in other organisations, Deloitte concluded that Clover is generally more advanced in its risk management processes than comparable organisations. Deloitte has, however, made several recommendations to further embed risk management practices for deeper insights into risks and incidents.

Clover runs ongoing fraud awareness campaigns at branch level across all levels of staff to raise awareness of Clover's Ethics Policy, the use of the ethics hotline and the fact that all calls to this line are treated confidentially by an independent party. Tip-offs received are actively investigated, followed-up on and resolved. The Board, assisted by the Audit and Risk Committee, are satisfied with the effectiveness of Clover's risk management function.

GOVERNANCE OF INFORMATION TECHNOLOGY (IT)

Information technology is an integral part of the business and fundamental to ongoing operations. In view of the strategic importance of IT, Clover aligned its business requirements to available IT resources and technology to ensure appropriate IT strategy is formulated to improve Clover's competitiveness for its future sustainability. Clover's IT department (Clover IT) developed an IT Governance Framework that considers relevant structures and processes for meeting Clover's business requirements. Relevant IT best practises, such as those in the COBIT framework, have been adopted to ensure appropriate mitigation of IT risks.

IT governance is a set of business processes that imposes management and control disciplines on IT activities to help ensure the integrity and protection of IT operations, while achieving business goals. This requires a system in which all stakeholders, including the Board, internal customers, and in particular departments such as finance, have the necessary input into the decision-making process.

The Board is responsible for IT governance, which is included in the Board's work plan. The Board delegated the responsibility to implement the IT Governance Framework to management under the oversight of the Audit and Risk Committee, which considers the major IT risks and opportunities quarterly. In this financial period, Deloitte conducted an independent high-level assessment of Clover's current cyber security capabilities, maturity and processes in order to determine the current state of cyber security in the organisation. The purpose of the assessment was to identify the immediate areas for improvement in relation to Clover's cyber resilience and capabilities and to recommend improvements on the deficiencies identified, considering current and future threats.

- **Cyber Security Maturity Assessment**

- The cyber maturity assessment indicated that most areas within the environment were well-defined.
- Clover has strong governance (with well-established Information Security Policies) and strategy components, for cyber security in place.
 - Clover have established processes to detect (such as use of MimeCast email scanning software) and respond to cyber security events such as phishing emails;
 - A mature vulnerability scanning capability, to identify security weaknesses in the Clover network, is in place.

- **Threat Landscape Assessment**

- The Threat Landscape Assessment did not highlight any significant areas of concern.

- **Attack and Penetration testing**

- Ernst & Young also conducted Attack and Penetration testing against Clover's external and internal networks and related infrastructure in order to discover the risk of exposure to security threats and vulnerabilities. Clover's infrastructure were tested both from an internal and external perspective:

External penetration testing:

- The objective of the test was to identify security issues that were present within Clover's externally-facing network and communication infrastructure

Internal penetration testing:

- The objective of the test was to identify security issues that were present within Clover's internal network and communication infrastructure.

The outcome of these reviews indicated that Clover's cyber security processes and procedures were adequate. Clover's Information Technology security is to be continuously improved for effective execution in line with best practice

COMPLIANCE WITH LAWS, CODES, RULES AND STANDARDS

The Company Secretary is responsible for facilitating compliance throughout Clover. An analysis of current and pending legislation and regulation relevant to the Group is presented at board meetings.

Clover ensures that all employees are inducted and have a consistent understanding of compliance policies and procedures.

Clover subscribes to various alerts, licenses and key sources of regulatory information and the Group's legal and compliance department reviews compliance alerts on an ongoing basis. Regulatory changes affecting Clover, are communicated to the relevant internal stakeholders on an ongoing basis. As and when required, such changes are also incorporated into the Group's risk management framework.

Clover reviews its regulatory universe on an annual basis. This includes assessing the completeness and accuracy of those regulatory requirements identified by management and industry experts.

During the year under review, the following acts and other regulations, in no particular order, have been identified as priority areas:

- Competition Act 89 of 1998.
- National Building Regulations and Building Standards Act 49 of 1995.
- Consumer Protection Act 68 of 2008.
- Foodstuffs, Cosmetics and Disinfectants Act No. 54 of 1972.
- Income Tax Act 58 of 1962 (as amended).
- JSE Listings Requirements (not an Act but considered relevant).
- Occupational Health and Safety Act 85 of 1993.
- Value-Added Tax Act 89 of 1991 (as amended).
- Tax Administration Act 28 of 2011 (as amended).
- Employment Equity Amendment Act 47 of 2013.
- Labour Relations Amendment Act 2014.
- Companies Act 71 of 2008.
- Agricultural Product Standards Act No. 119 of 1990.

Governance of risk (continued)

Compliance with provisions of the Consumer Protection Act and Competition Act

Clover trains its staff and promotes a culture of compliance through online educational campaigns on the requirements of the Competition Act and the Consumer Protection Act.

It is compulsory for all management employees and those who may be exposed to anti-competitive or collusive behaviour to complete the training.

Clover has established a Competition Law Centre of Excellence (CLCE), in conjunction with their Competition Law advisors. The CLCE has the function of ensuring proper standards of competition law compliance within Clover.

During the year under review, Jean Meijer, senior partner and competition law advisor at Bowman Gilfillan, resigned to take up a similar position at Herbert Smith Freehills LLP. Due to Ms Meijer's extensive knowledge of the Clover business, and in order to keep continuity, it was decided to appoint Herbert Smith Freehills LLP as Clover's competition law advisors. A full review of Clover's compliance with the Competition Act did not identify any contravention of the Competition Act.

On 13 March 2014, the Acting Commissioner of the Competition Commission initiated a complaint against Clover Industries Ltd (Clover), Parmalat (Pty) Ltd (Parmalat) and Midlands Milk (Pty) Ltd (Midlands Milk), alleging that these three parties agreed, at some stage in or around 2012, to fix the purchase price of raw milk or trading conditions in terms of which the raw milk is purchased. This alleged transgression was in possible contravention of section 4(1)(b)(i) of the Competition Act 89 of 1998 ("Competition Act"), as amended. The complaint only came to Clover's attention during March 2015 and Clover immediately conducted an

internal investigation in conjunction with Bowman Gilfillan. Bowman Gilfillan's investigation did not reveal any conduct on Clover's part that suggests that in 2012 it directly or indirectly co-ordinated with Parmalat and Midlands Milk to fix the purchase price of raw milk, or trading conditions in terms of which the raw milk is purchased, as alleged by the Commission.

At the time of writing, Clover has received no further communication from the Commission with regard to the above complaint.

On 20 June 2017 a Mr Frank Wilcox ("Wilcox"), a director of Ndlovu Corporate Suppliers, filed a complaint with the Competition Commission, against an employee of Clover, Gawie Spies, in his capacity as Food Safety Initiative Manager, alleging that Clover offers more favourable prices for its UHT milk to wholesalers and retailers than to Wilcox. This alleged transgression was in possible contravention of section 9(c)(i) of the Competition Act. Clover immediately conducted an internal investigation in conjunction with Herbert Smith Freehills LLP. Herbert Smith Freehills LLP's investigation did not reveal any conduct on Clover's part that suggests that it or any of its employees contravened section 9(c)(i) of the Competition Act.

At the time of writing, Clover has received no further communication from the Commission with regard to the above complaint.

During the review period, Clover complied in all material aspects with all relevant legislation. Apart from several legal proceedings arising from the routine course of business, the Board is satisfied that Clover does not face any material pending or threatening legal actions.

Insider trading

The Board has approved a Price-Sensitive Information Policy and an Insider Trading Policy for Clover. Directors, officers, relevant employees and service suppliers have been informed that they are compelled to comply with these policies.

Salient features of these policies are:

- no Clover employee may deal directly or indirectly in Clover shares on the basis of unpublished price-sensitive information regarding the business;
- no director or officer of Clover may disclose trade information of the business; and
- directors and officers are precluded from trading in Clover shares during closed periods or prohibited periods as determined by the Board.

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 JSE's Securities Exchange News Service (SENS);
- the financial year-end date to the time of the publication of the final financial results on the JSE's 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.

Consumer Goods and Services Ombud (“CGSO”) and Code

Clover is a committed participating member of the CGSO Ombud. The objective of the Ombud’s office is to operate as an alternative dispute resolution mechanism, aimed at safeguarding the interests of consumers.

INVESTOR RELATIONS

Clover’s investor relations policy aims to ensure compliance with all legislation, regulation and voluntary codes in relation to disclosure, communication and dissemination of information, while also protecting management and limiting reputational risk for the Group. Management is committed to engaging with local and international analysts and fund managers to enable informed decisions to be made about investing in the Group. The CE, CFO and Company Secretary are the only designated investor spokespersons. An investor relations consultant is retained to advise the Group on its investor relations strategy and activities.

The Group aims to ensure pro-active and timely communication with the investment community.

INTERNAL AUDIT

Deloitte has been given responsibility for implementing the annual internal audit plan approved by Clover’s Audit and Risk Committee. As with any policy or protocol, there are inherent limitations to the effectiveness of any system of internal controls 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 preparing financial statements and safeguarding 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, as implemented by trained personnel with segregated duties and responsibilities. Internal control systems are managed by way of a documented organisational structure with segregated responsibilities and established policies and procedures which are communicated throughout the business. Internal audit personnel 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, which will take corrective actions to address identified deficiencies in internal control.

During the review period, no material breakdowns in internal controls were reported within the key areas reviewed. These evaluations were the main input considered by the Board in reporting on internal control effectiveness.

Clover’s external auditors, Ernst & Young Incorporated, performed a limited assurance review of management’s assessment of internal controls for financial reporting. This was a separate exercise done in addition to the internal audit conducted by Deloitte. No material findings were reported to the Audit and Risk Committee and nothing has come to the attention of the directors or the auditors that indicates any material breakdown in the effectiveness of the internal controls during the reporting period.

DISCLOSURE OF COMPLIANCE WITH CODE

The Board has satisfied itself that Clover has conformed throughout the reporting period to all the principles of the King III Code of governance 2009 (King III) and the JSE Listing Requirements, with limited exceptions.



Jacques van Heerden
Company Secretary

King III Index

- ✓ 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

- | | |
|---|--|
| <ul style="list-style-type: none"> ✓ 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 | <ul style="list-style-type: none"> ✓ 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, Mr TA Wixley acted as the Lead Independent Director to fulfil the functions of the Chairman whenever a conflict arises and in the other circumstances envisaged in the Code. Upon retirement of Mr TA Wixley, Dr S Booysen took up the role as Lead Independent Director as from 28 November 2016. 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, refer to page 142.*

- ✓ Apply
- ✗ Under review/Do not apply

AUDIT COMMITTEE

- ✓ 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

King III Index (continued)

- ✓ Apply
- ✗ Under review/Do not apply

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

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 stakeholders
- ✓ 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





DAIRY FLUIDS
FRESH MILK, UHT MILK AND CREAM

REVENUE FROM
DAIRY FLUIDS
increased by
4,89%
for the period

DAIRY FLUIDS
contributed
49,39%
to Clover's total sale
of products for the year

Report on remuneration

Report on remuneration

Clover's Group Remuneration Policy (the "Remuneration Policy") summarises the Board's evolving approach to and application of principles that will sustainably balance the attraction and retention of key or specialised skills with optimal investor returns.

Clover's board is responsible for setting executive remuneration and oversees emoluments across the organisation. The backdrop against which Clover's Remuneration Policy is set is continuously evolving, driven by macro- and socio-economic factors, regulation and practical considerations.

In working to balance the dual objectives of attracting and retaining scarce or specialist skills whilst optimising shareholder returns, it is the Remuneration Committee's duty to ensure that Clover's Remuneration Policy articulates and practically gives effect to fair, responsible and transparent remuneration.

This report ultimately aims to provide all stakeholders, and specifically shareholders, with sufficient information to make informed decisions when casting their non-binding vote on Clover's Remuneration Policy.

This Remuneration Report applies to the period 1 July 2016 to 30 June 2017 and complies with the King III recommendations on remuneration. The report should be read in conjunction with note 33 to the Annual Financial Statements included in this Integrated Report, which contains various statutory disclosures regarding Clover's remuneration.

Additional information is available in Clover's letter of appointment, disciplinary code, ethics policy, employment legislation, such as the Labour Relations Act, and the Basic Conditions of Employment Act, as well as Clover's amended short- and long-term incentive scheme rules.

King IV was released in November 2016 and builds on the current principles contained in King III, aligning shifts in the approach to capitalism towards inclusive, integrated thinking across all six capitals, new governance structures, emerging risks and opportunities from new technologies and new reporting and disclosure requirements.

Complying with King IV is a JSE Listings Requirement which is effective for financial years commencing from

1 April 2017, but only with regard to Integrated Reports to be published after 1 October 2017. The Remuneration Committee has concluded a gap analysis and no material concerns or insufficiencies were identified regarding Clover's current disclosure and application of principles. The new reporting requirements will be adopted during the current reporting period and disclosed in the amended Report on Remuneration for the period ending 30 June 2018.

LETTER TO SHAREHOLDERS

Introduction

On behalf of the Remuneration Committee and the board, I am pleased to present the Remuneration Report (including Clover's Remuneration Policy) for 2017.

Background

Clover listed on the JSE in December 2010. It has a proud legacy as one of South Africa's oldest companies, having evolved from a dairy co-operative to one of the country's largest manufacturers and distributors of ambient and chilled branded food and beverage products. Today, Clover is the most reputable company in South Africa (as voted for two years running).

Although Clover converted to a public company in November 2003, the natural evolution to align traditional performance measures against those applied by the capital markets in valuing constituents of the sector has been ongoing since its JSE listing.

A limited listed peer group against which to benchmark financial and operating performance is proving a challenge to the board and investors alike, which is further compounded by the disconnect in the investment appetite of market participants with a short-term view *versus* Clover's approach towards creating sustained value over the medium- to longer-term. Misconceptions around the

vesting of share appreciation rights following Clover's capital restructuring as approved by shareholders on 31 May 2010 created further discussion points.

To address the above issues, Clover's Remuneration Committee initiated discussions with key shareholders as far back as 2012. On the back of these rigorous meetings, PricewaterhouseCoopers was appointed to conduct a review and benchmarking exercise of executive emoluments and structures.

The outcomes and implemented recommendations of their report were shared with key stakeholders and formed the cornerstone for further discussions with shareholders on approval of the amended Clover Remuneration Policy. The subsequent outcome of the vote at the annual general meeting in November 2015 was disappointing and deeply concerning, to say the least, when 41.69% of shareholders voted against the amended policy.

We understood how crucial it was to meet with our investors face-to-face to understand their specific views and concerns – some of which were irreconcilable. Following our subsequent remuneration roadshow in 2016, we consolidated feedback from key investors and made further recommendations to the Clover Board for specific targets and measurements specifically relating to the long-term incentive plan applicable to Executives to be revised. These recommendations were approved and, supported by the Clover Company Secretary, we re-engaged with institutional investors and entered robust debates around the rationale and practicalities of our revised Clover Remuneration Policy.

I am happy to report that we could clarify and move past the roadblocks that faced us in 2015, as is evidenced by the overwhelming approval of the Clover Remuneration Policy at our 2016 annual general meeting, where 99.94% of shareholders voted in favour of our revised approach.

The key targets and measurements applied in the year under review are contained on pages 83 to 85 of the Remuneration Report.

Salary review

Given the tough economic operating environment, low economic growth forecasts, and weakness, subdued consumer spending and the effects of one of the most severe and protracted droughts in recent history, Clover will have to continue driving cost efficiencies to remain sustainable.

Keeping our products affordable plays a very important role in helping the Company defend and maintain its existing market shares across categories.

Notwithstanding the fact that executive management and other senior management volunteered for a salary-freeze in the prior reporting year, the Remuneration Committee has decided that salary adjustments for employees in the Paterson Band C and above, be capped at 5% for the 2018 financial year, in line with current headline inflation of between 5.1% and 5.3%.

Job grade	2016 increase (%)	2017 increase (%)
F	No increases	5
E	No increases	5
D4 and D5	3	5
D1 to D3	4	5
C	6	5
A and B	7.5	Ongoing wage negotiations

Short-term incentive (STI) bonuses

Executives' participation in STIs are linked to the achievement of profit growth targets and personal performance measures in the ratio indicated in the table set out in the Remuneration Policy on page 83.

For Executives, the individual performance portion of the STI is based on specific key performance indicators approved annually by the Remuneration Committee and includes leadership and team building, optimising the brand portfolio, increase market shares through sales and distribution achievements, successful completion of capital projects, mergers, acquisitions and rest of Africa, employment equity and investor relations.

The individual performance component of the STI as determined through the normal performance management process has been allocated to all qualifying staff in Patterson B and C5 to E band.

Clover experienced an exceptionally difficult financial year where the impact of the drought, a low-growth economy and increasing pressure on consumers' discretionary spend resulted in profit targets not being achieved.

As a result, all STI bonuses related to profit targets were not awarded as the relevant targets were not achieved.

The Remuneration Committee (after reaching mutual agreement with the Executives) also decided that as a result of the poor financial performance of the Company to also not pay any STI bonuses which were linked to the specific key individual performance indicators, despite the fact that a substantial portion of these individual performance indicators have been met during the year under review by the Executives.

Long-term Incentive (LTI) bonuses

Vesting of 6th allocation of Share Appreciation Rights

Individual Performance

After due consideration of the recommendations from the Chief Executive, the Remuneration Committee confirmed of the individual performance targets for each participant. Subsequently, full vesting of the individual performance portion of the 6th allocation of SARs has been achieved.

Report on remuneration (continued)

Financial Performance

Following information received from Management on the achievement of the financial performance conditions in respect of the 6th allocation of SARs, the Remuneration Committee is satisfied that the financial performance conditions were not achieved and subsequently no vesting will take place.

Conclusion

The board believes that the restructuring of Clover's business will allow it to focus completely on developing and selling higher margin, value added branded products in dairy and other related food categories and to eliminate exposure to the cyclicity of its non-value added dairy business.

This is expected to further align the Group's performance with measures applied by the market, including headline earnings per share, return on equity and normalised attributable profit.



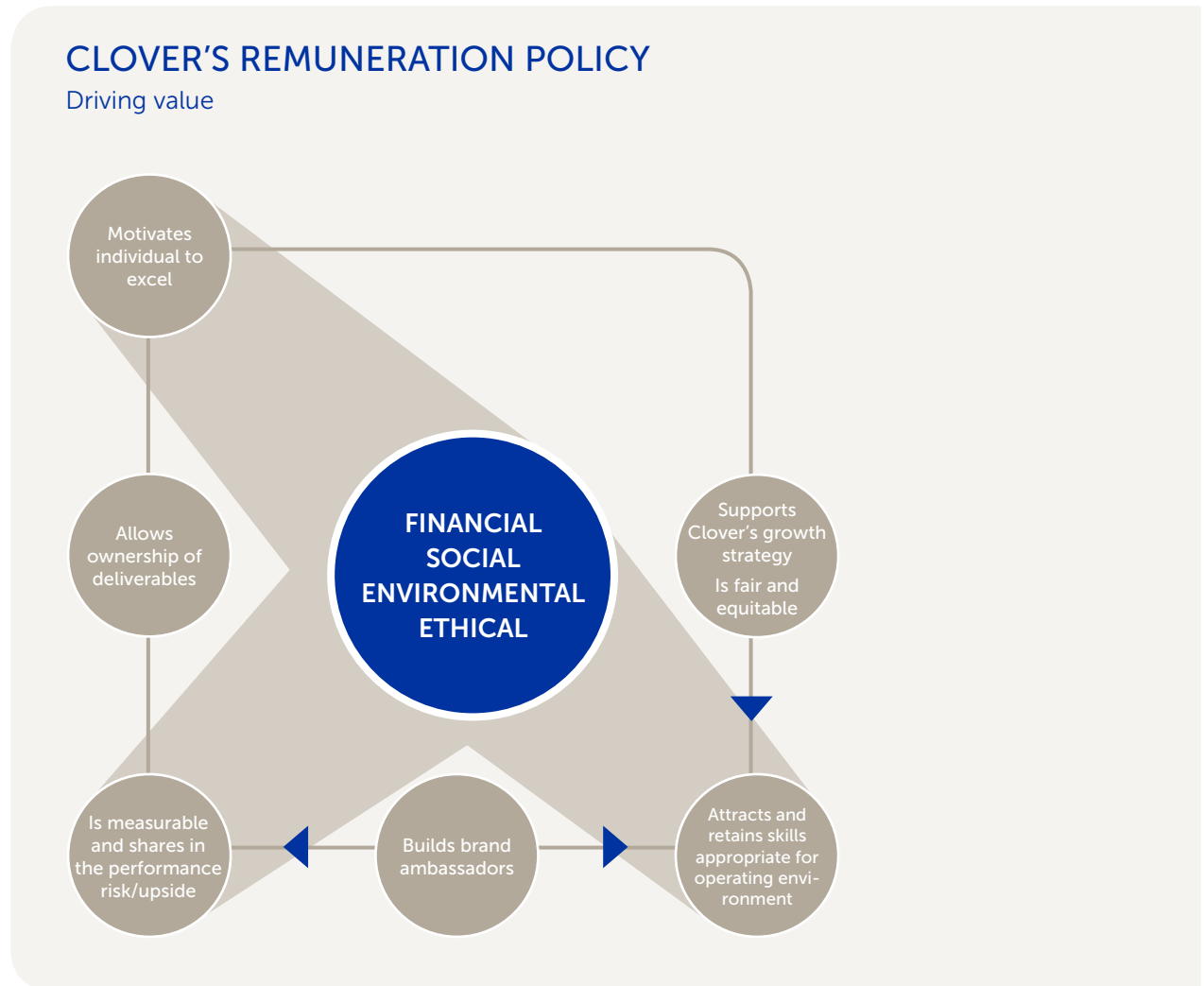
Clover's Remuneration Policy

REMUNERATION PHILOSOPHY

Clover's Remuneration Policy is aimed at attracting and retaining skills that will support the generation of returns on investment for shareholders in a manner that preserves Clover's ongoing sustainability. In line with international best practice, this remuneration policy establishes remuneration practices that are fair, reasonable and market-related, by combining short-term remuneration with longer-term incentives. It is designed to align the long-term interests of the executive and senior management (who have the most significant influence on sustained growth) with the interests of shareholders.

Clover's Remuneration Policy is based on the following key principles:

- Remuneration should support Clover's strategies and be consistent with the organisation's culture of fairness and equity.
- Remuneration should take into account Clover's size, the complexity of the business and the competitive environment.
- By attracting and retaining appropriate talent remuneration should support Clover's vision to be the most admired branded consumer goods company in South Africa and other emerging markets.
- Remuneration should directly correlate with Clover's growth objectives, financial performance targets and actual achievements.
- Remuneration should be reviewed and benchmarked regularly through independent service providers to ensure that Clover remains competitive in its diverse markets. Percentiles should not be rigidly applied, but must take into account industry type, skills scarcity, performance, and legislative structures and requirements.
- Remuneration should motivate and allow for differentiation (i.e. reward high performers).
- Individual contributions, based on role and responsibilities, should have a direct bearing on levels of remuneration.



Clover's remuneration policy (continued)

GOVERNANCE

Clover's Remuneration Committee is a subcommittee of the Board and oversees the approach to and governance of remuneration matters. It also determines the remuneration of Executive Directors, other executives as well as recommending the remuneration of Non-Executive Directors. These are ultimately approved by shareholders. Details on Remuneration Committee members, meetings and attendance are set out in the Directorate and Management section of this Integrated Report, on page 22. The Remuneration Committee actively engages with independent advisors and stakeholders, to ensure that the remuneration policy and practices are aligned to best practice and achieve Clover's objectives. The Executive Committee determines and approves the remuneration structures for all non-executive employees in line with the existing remuneration mix set out below.

Remuneration mix

The remuneration structure comprises three components and is aligned with achieving Clover's objectives:



Remuneration mix: Guaranteed Fixed Income component

Guaranteed Fixed Income Comprises:

- Monthly salary
- Compulsory benefits (i.e. retirement)
- Discretionary benefits (i.e. medical aid)

Employees on the Paterson Grade C3 and lower can choose to join the Discovery Health Medical Scheme or Umvuzo Medical Scheme. For these employees, membership to a medical scheme is not compulsory. For Paterson Grade C4 and higher, the Discovery Health Medical Scheme is compulsory.

Guaranteed Fixed Income Considerations:

- Regular benchmarking exercises are performed internally and externally to ensure equity, fairness and market-relatedness.
- The fixed income component is reviewed annually in May and is revised on 1 July of each year, following quarterly performance management reviews of each employee.
- Interim reviews of the fixed income component are undertaken to retain talent, taking into account market adjustments or employee promotions.

Differentiation Between Paterson Grades

Paterson grade	Guaranteed fixed income	Short-term incentive	Long-term incentive
B5 and below	Base pay and benefits: 13th cheque	N/A	N/A
C1 to C5	Base pay and benefits: 13th cheque	Merit bonus based on formal performance management. Short-term incentive scheme for selected Paterson Grade C5 employees	N/A
D1 to D5	Base pay and benefits	Short-term Incentive Scheme	Long-term Incentive Scheme for selected employees
E	Base pay and benefits	Short-term Incentive Scheme	Long-term Incentive Scheme
F	Base pay and benefits	Short-term Incentive Scheme	Share Appreciation Rights Scheme

- Clover's employment profile is based on the competencies, outputs and behaviour required for a specific position.
- The employment profile must fit within the organisational structure and an appropriate employment grade should be assigned to the position.

Scarce skills

Scarce skills are those of which market demand outstrips the available supply. Scarce skill sets are identified annually and the strategy is adjusted to reduce business risk. If scarcity results from a unique combination of skills and experience being required, Clover will attempt to reduce business risks by building talent pools around incumbents with these scarce skill profiles.

Scarce skills incumbents are graded as "S" band employees in Clover's employment scale.

To reduce the risk of losing highly specialised skills, the fixed-income component applied to this category is targeted at the top end (90th percentile) of the market range and also includes a discretionary retention bonus (8% of annual basic salary) payable at the end of each financial year, provided that the necessary performance criteria are met. Clover has presently qualified 17 employees (against the 2016 – 2018) for "S" band status. The Executive Committee annually reviews the "S" band category and its incumbents.

Remuneration mix: Annual Short-Term Incentive component

Annual Short-Term Incentive scheme (STIs)

STIs are designed to drive annual improvement of Clover's results.

Paterson Band	Individual performance %	Group profit %	Individual performance cap %	Group profit cap %	Entitlement (months base salary**)	Max entitlement (months base salary**)	Profit target
C5	66,7	33,3	100	200	2	2	Operating profit
D1 – D2	50	50	100	150	2	2,5	Operating profit
D3 – D5	33,3	66,7	100	175	3	4,5	Operating profit
E*	30	70	100	171	5	7,5	Operating profit
Other Executives***(F)	30	70	100	171	10	15	Normalised attributable profit
Chief Financial Officer(F)	30	70	100	171	10	15	Normalised attributable profit
Chief Executive(F)	30	70	100	171	12	18	attributable profit

*For example, if a staff member on the Paterson E Band achieves a 100% individual performance bonus and a 171% Group profit bonus the employee will be able to earn 7,5 months' additional base salary in bonuses.

**For Paterson Grades D1 to D5 the base salary consists of the employees' monthly basic salary, for Paterson Grades E, the base salary consists of the employees' monthly basic salary, plus 22% car allowance plus 10% pension fund contribution, and for Paterson Grade F, the base salary consists of the employees' total monthly guaranteed fixed income.

***Marcelo Palmeiro's STI differs from what is stated above, as has been agreed to individually between him and the Company.

STI measures and Targets

For Paterson Grade C:

- Individuals who score an annual individual performance rating of 4 or 5 qualify for a merit bonus.
- This merit bonus is calculated as a percentage of annual basic salary and is paid in August or September of each year.
- An additional 1% is added to the bonus for every 1% achieved over the profit target.

For Paterson Grade D and E:

- The individual performance portion of the STI is based on specific key performance indicators agreed to between the employee and his/her direct manager and it is calculated on operating profit before restructuring costs. The profit target is triggered once 100% of target is reached.

For Paterson Grade F (executive):

- The individual performance portion of the STI is based on specific key performance indicators approved annually by the Remuneration Committee and includes, *inter alia*:

- leadership and team building;
- optimising the brand portfolio;
- increase market shares through sales and distribution achievements;
- successful completion of capital projects;
- mergers, acquisitions and rest of Africa;
- employment equity;
- investor relations;
- calculated using normalised attributable profit; and
- the profit target is triggered once 100% of the profit target is reached. If the profit exceeds the target, an additional 3,55% for all executives will be paid for every 1% achieved over the profit target.

STIs are self-funded since all bonuses are budgeted for in full before the profit target is approved annually by the Remuneration Committee. The final profit figure is confirmed by the Remuneration Committee and approved by the Board following completion of the annual audit. It is not necessarily linked to the budget approved by the Board. Incentives are paid in August and/or September of each applicable year. The Remuneration Committee has the sole and absolute discretion to make adjustments for extraordinary factors, taking into account external factors beyond the control of employees, such as cyclicity. Employees found guilty of gross misconduct will not be entitled to STI participation. Quarterly performance management sessions are scheduled with each employee to guide them to achieving profit targets and bonuses.

Remuneration mix: Long-Term Incentive component

Long-Term Incentive Scheme (LTI)

Clover's LTI is a deferred bonus scheme that serves as a retention mechanism. It awards employees on Paterson Grade E and certain positions on Grade D5 for adding tangible value to Clover's business.

Clover's remuneration policy (continued)

LTI measures and targets are:

- calculated using normalised attributable profit;
- a percentage of annual base salary; and
- paid out in equal amounts over a three-year period (with the first tranche paid out 12 months after becoming entitled).

Target achieved	Bonus payable
Normalised attributable profit target as per budget	20% of annual base salary
Normalised attributable profit target as per budget plus 10%	40% of annual base salary
Normalised attributable profit target as per budget plus 20%	60% of annual base salary

Share Appreciation Rights Scheme (SAR scheme) or (SARs)

The purpose of the SAR Scheme is to attract, retain, motivate and reward Clover's executives (Paterson Grade F) and other participants able to significantly influence Clover's performance by aligning their interests to those of the shareholders. The SAR Scheme is governed according to rules approved by Clover's shareholders in November 2010 (as amended from time to time).

SARs measures and targets

The eligibility criteria, the quantum of allocations and the conditions governing each allocation are determined by the Remuneration Committee. This assessment takes into account seniority within Clover, work function and the participant's ability to add value to Clover.

First-time allocation of SARs

The market-related formula that follows is used to determine the number of share appreciation rights a participant may gain when participating in SARs for the first time:

$$A = (B \times C) / D$$

Where:

A	The total number of SARs to be allocated
B	Guaranteed Fixed Income component of the participant
C	Market-related multiple <ul style="list-style-type: none"> • Other executives = 4 • CFO = 6 • Chief Executive = 8
D	The volume weighted average price of an ordinary share listed on the JSE over seven trading days immediately prior to the allocation date

Subsequent SARs allocations (following a participant's first allocation)

Following a PWC conducted benchmarking exercise, the Remuneration Committee resolved with effect from 1 July 2012 (the fourth allocation) that the following smoothed average face value allocation formula will be used when allocating SARs to a participant who has already earned a first allocation:

$$A = (B \times C) / D$$

Where:

A	The total number of SARs to be allocated
B	Guaranteed Fixed Income component of the participant market-related multiples set out below
C	The volume weighted average price of an ordinary share
D	listed on the JSE over seven trading days immediately prior to the allocation price

Participant	Annual smoothed face value multiple
CE	267%
CFO	200%
Other Executives	167%

Change of Control Provisions

Prior to 1 January 2014, if Clover is the subject of any transaction whereby any person or persons acting in concert, other than the Clover Milk Producers Trust and/or participants, acquire (whether directly or indirectly) 30% of the entire ordinary issued share capital in Clover, then all SARs held by participants shall immediately vest. All SARs shall (whether or not the vesting dates in respect thereof have passed and/or the performance criteria, if any, in respect thereof have been met) be exercisable on the basis that participants shall be settled in accordance with the SARs Plan.

In respect of any SARs allocated to participants on or after 1 January 2014, if 30% of the entire issued share capital of Clover is acquired by any person or persons acting in concert (other than the Clover Milk Producers Trust and/or the participants), not all of the SARs shall immediately vest in participants but only the proportionate number thereof, having regards to (i) the period of time that has lapsed between the allocation date and the vesting date at the time of the acquisition (whether directly or indirectly) and (ii) the extent to which the performance criteria (if any) have been satisfied as at the date of the acquisition, as may be determined by the Remuneration Committee to be fair and reasonable to the participants concerned. Should a dispute arise between the participants and the Remuneration Committee such dispute shall be referred to the Board for determination, provided, that should such dispute not be resolved within a period of 60 (sixty) days from such referral to the Board, the dispute shall be referred to the expert in terms of section 15 of the SARs Plan for final determination.

Period of Vesting of SARs and Performance Criteria

The SAR Scheme rules provide that all SARs allocated on or after 30 June 2016:

- Will vest in full after the third anniversary of the allocation date, provided that the relevant performance criteria were met.
- SARs that are vested already must be exercised by the participant on or before the fifth anniversary of the allocation of these SARs.

SARs Performance Criteria

For information relating to the performance criteria that will apply to SARs allocated prior to 30 June 2016, please see pages 66 to 74 of Clover's 2015 Annual Integrated Report.

All SARs allocated on or after 30 June 2016 will be subject to the following performance criteria:

Individual performance condition

30% of the allocation to be subject to the achievement of individual performance, measured as the average over three years. 30% vests at 70% performance and 100% vests at 90% performance as follows:

Performance	Weighting	Targets
Individual performance condition	30%	Average individual performance measured over 3 years. 30% vests at 70% performance. 100% vests at 90% performance.

Financial performance conditions

70% of the SARs allocation will be subject to financial performance:

- Headline earnings per share constituting 35%.
- ROE constituting 35%.

The HEPS performance condition targets will be as follows:

Performance	Weighting	Targets
HEPS	35%	30% will vest if HEPS growth (over the performance period of 3 years) of CPI +4% per annum is achieved. Target: 65% will vest if HEPS growth (over the performance of 3 years) of CPI +6% per annum is achieved. Stretch: 100% will vest if HEPS growth (over the performance period of 3 years) of CPI +8% per annum is achieved.

The ROE targets will be as follows:

Performance	Weighting	Targets
ROE	35%	Threshold: 30% will vest if actual ROE achieved in the base year*. Target: 65% will vest if actual ROE achieved in the base year* + 0,4%. Stretch: 100% will vest if actual ROE achieved in the base year* + 0,9%.

* Base year = year in which allocation is made.

** Base year – will be calculated by taking the actual ROE, excluding exceptional items, as at 30 June 2015 (13,5%) and applying a 0,3% annual incremental increase.

Clover's remuneration policy (continued)

APPROACH TO EXECUTIVE REMUNERATION

In order to attract, retain, motivate and incentivise the industry's best and most suitable candidates, Clover is obliged to offer competitive remuneration packages. The Remuneration Committee utilises external market surveys and benchmarks to determine executive remuneration and benefits, as well as base and attendance fees for Non-Executive Directors.

Clover's remuneration philosophy seeks to align and link both short- and long-term incentives to the achievement of business objectives and delivering an acceptable return on shareholders' equity, while ensuring Clover's sustainability. Remuneration packages are therefore linked to achieving these objectives.

Executive remuneration structures (including those of Executive Directors) comprise both guaranteed and variable components as set out below:

Component	Type	Comprises	Objective
Guaranteed	Guaranteed fixed income	Base salary, benefits (car allowance, retirement and medical aid contributions).	Commensurate with scope of position, experience and level of responsibility.
Variable	Short-term incentive	Cash-based payments to an individual based on Group financial performance and individual performances over the preceding financial year.	Rewards individual and corporate performance. Refer to STI table (on page 85).
Variable	Long-term incentive	All cash and equity-based awards that accrue to and individual over time, based on the Group's financial and individual performance over a financial period.	Attract, retain and incentivise key incumbents to deliver exceptional individual and corporate performance over time, in line with shareholder interests.

Guaranteed Fixed Income

Executive guaranteed fixed income packages are benchmarked regularly against similar positions in the market. This information, together with individual performance assessments, form the basis for annual salary reviews.

The Remuneration Committee has the discretion to determine executive guaranteed fixed income packages, being mindful of factors such as retention, contribution

and skill levels. Executives may participate in a defined contribution retirement fund and other benefits. These include vehicle allowances, medical insurance, death and disability insurance, leave and recognition for service.

Variable package

Short-Term Incentives (STIs)

Executives' participation in STIs are linked to the achievement of profit growth targets and personal

performance measures. The complete workings of the STIs are set out in Clover's Remuneration Policy on page 81 and more specifically in the table set out on page 83.

Long-Term Incentives (LTIs)

Clover's LTIs aligned to executives comprises equity-based awards that serve as a retention mechanism. Refer to the Remuneration Policy on page 84 of this report for more information on the salient features of the cash and equity measures and targets, in particular the Share Appreciation Rights Scheme (SARs), which complies with the JSE Listings Requirements.

SARs stipulates that the aggregate number of ordinary shares which may be acquired by the executives may not exceed 16 million ordinary shares. At 30 June 2017, a total of 11 240 883 (30 June 2016: 11 202 483 ordinary shares) had been issued to executives, with the balance of 4 759 117 ordinary shares remaining available for issue. The salient features of the SAR Scheme, which complies with the JSE Listings Requirements, are set out in Clover's Remuneration Policy.

Allocations made in terms of the SARs scheme

For more details on SARs allocated and exercised during the year under review, refer to note 32.2 in the financial statements section.

Hedging of SARs

Clover has entered into a forward contract to purchase 2 132 695 Clover Industries shares to hedge a portion of the share appreciation rights issued to management. Refer to note 14.2 of the Annual Financial Statements on page 195 for further details.

Employment Contracts for Executives

A six months' notice period is required for terminating the contract of employment for Executive Directors.

Approach to Non-Executive Directors' remuneration

Clover identifies, attracts and retains Non-Executive Directors who can add specific skills and leadership to Clover. For this reason, Non-Executive fees are competitive and ranked in the upper quartile. Attendance fees are only paid for actual Committee meetings attended. The chairman of the Board, Werner Büchner, and the lead independent director, Dr Steve Booysen, will not receive additional remuneration should they serve on any subcommittee of the Board, since they receive a fixed annual fee. The fees payable to Non-Executive Directors for the 2017 financial year will be increased by 5% from the fees paid during the year under review, subject to shareholder approval.

Total remuneration and Benefits Payable to Directors and Prescribed officers

The Board considered the requirements of the Companies Act with regard to the disclosure of the remuneration of directors and prescribed officers. After careful consideration, the Board concluded that all members of the Executive Committee are deemed to be prescribed officers.

A complete table setting out the total remuneration of directors and prescribed officers can be found in note 33.1 to the Annual Financial Statements on page 234 of this Annual Integrated Report.

Interest of directors and other executives in ordinary share Capital

A complete table setting out the interest of directors and prescribed officers in Clover's ordinary share capital can be found in note 33.3 to the Annual Financial Statements on page 240 of this Integrated Report.

LEGACY SCHEME SARS ISSUES

Salient features of the Initial Allocation

Clover's MPCRE, as approved by shareholders on 31 May 2010, changed the nature of Clover's preference shares from profit-sharing instruments to pure debt instruments carrying rights to a guaranteed dividend only. This impacted on the value of the preference shares by eliminating any value upside. Consequently, an award of preference shares to Clover's employees in terms of its preference share incentive scheme no longer incentivised employees or aligned their interests with those of ordinary shareholders. As a result, shareholders approved the adoption of the Clover Share Appreciation Rights Plan (2010) (SAR Scheme) on 31 May 2010. The SAR Scheme was subsequently amended on 4 November 2010 and 10 November 2011.

All SARs allocated as part of the MPCRE have now vested and the major portion thereof have been exercised. For more detail refer to note 33.2 in the financial statements section.

Loans to executives

As part of the MPCRE Clover's shareholders approved the allotment and issue of 9 350 000 (on 31 May 2010) and 250 000 (on 4 November 2010 with regard to Dr JHF Botes) ordinary shares at a subscription price of R9,34 per share, for subscription by Clover's executives. A portion of the subscription price was lent to the executives. However, the aforementioned allotment and issue sets out the position prior to the subdivision of shares approved on 4 November 2010. Full details relating to the MPCRE are available on www.clover.co.za.

The salient features of the loan and cession agreements entered into between Clover and its executives are set out below:

- as security for the indebtedness, the executives ceded to Clover the rights (defined as being all rights, title and interest in and to the proceeds) in respect of the ordinary shares (issued to them as referred to above) and the preference shares acquired through the Clover preference shares scheme in respect of the proceeds thereof (defined as being dividends, special distributions, redemption proceeds and any proceeds as a result of a disposal or sale of either the ordinary and/or preference shares referred to above, or any part thereof);
- interest shall accrue on the outstanding balance of the loan amount at an interest rate equal to 90% of the prevailing prime interest rate charged by Absa Bank Limited;
- if an executive leaves the employ of Clover for any reason whatsoever, he/she shall be obliged to repay the loan amount and interest or the balance thereof, within two months after the employment terminated; or
- if an executive dies, the loan amount and interest or the balance thereof, shall be repaid to Clover within six months after the death.

It should be noted that the aforementioned loan agreements have been amended to provide for final loan repayment dates based on the normal retirement date for each executive.

Clover's remuneration policy (continued)

	30 June 2011	30 June 2012	30 June 2013	30 June 2014	30 June 2015	30 June 2016	30 June 2017
Other executives							
JHF Botes	2 411 574	2 452 661	2 536 148	2 572 487	2 625 130	2 612 441	2 585 373
Total	2 411 574	2 452 661	2 536 148	2 572 487	2 625 130	2 612 441	2 585 373

The value of the ordinary shares forming the basis of the loan and cession agreements of Dr JHF Botes referred to previously, is approximately R20 million.

Vesting of 6th allocation

Individual Performance

After due consideration of the recommendations from the Chief Executive, the Remuneration Committee confirmed the achievement of 95% of the individual performance targets for each participant. Subsequently, full vesting of the individual performance portion of the 6th allocation of SARs has been achieved.

Financial Performance

Following information received from Management on the achievement of the financial performance conditions in respect of the 6th allocation of SARs, the Remuneration Committee is satisfied that the financial performance conditions were not achieved and subsequently no vesting will take place.



Dr Steve Booyesen

Chairman: Remuneration Committee

11 September 2017







DAIRY FLUIDS
FRESH MILK, UHT MILK AND CREAM

UHT MILK
VOLUMES
grew by
4,6%

THE MOM MARGIN
ON DAIRY FLUIDS
WAS
38,01%



CLOVER HAS A

14,1%

market share in the UHT
milk category

Reporting on the six capitals

How Clover creates value **today**

OVERVIEW OF CLOVER'S VALUE CREATION PROCESS

Clover's value creation process starts with our vision and mission, as the business model is designed to put these into effect. Our business model is the engine of Clover's value creation and is driven by the resources fed through it in accordance with Clover's strategy. Its outputs and outcomes are the short-, medium- and long-term value created in terms of Clover's vision and mission. Clover's leadership, support services and our people at all levels must ensure that Clover's vision flows seamlessly and accurately through the entire value chain and the business model to be transformed into outputs and outcomes that actualise this vision.

YESTERDAY

Since its establishment 119 years ago, Clover has always had its roots in dairy and its related products. Over decades, Clover evolved into a branded consumer goods company with one of the largest chilled distribution networks spread across southern Africa. It retained its dairy heritage, developing new, value-added dairy and complimentary products. At the same time, it leveraged its distribution network and merchandising expertise to become the supplier of choice for a number of international principals.

Clover underwent a major shift in 2010, to address regulatory legacy issues and position the Company for future growth. This unlocked significant value for producer shareholders and realised costs savings of more than R100 million per annum.

Subsequently, as a listed company, Clover began leveraging the King III code and Integrated Reporting principles to guide the development of our value creation processes for the long-term sustainability of the Company and the environments that we impact.

TODAY

Since the 2008 global financial crisis, the demand for transparency, early and accurate corporate reporting across all the bottom lines has escalated to new levels. Even in South Africa, corporate activism is on the rise and investors are responding more proactively to how a business is managed and shareholder value created.

Clover has long taken the view that the Integrated Report is not simply a compliance document that takes up management time. On the contrary, we utilise it as a key management tool for conducting a regular "reality check" of our performance and strategies.

We also devote considerable time to tell Clover's value creation story as concisely, plainly and transparently for the benefit of all stakeholders. This enables stakeholders, including shareholders and potential investors to evaluate our actions from an informed basis.

TOMORROW

How a company creates value is its "reason for existence". Clover has taken the view that company value creation chains, incorporating their business models, will soon become the single most important measure against which companies will be judged.

This will attract long-term investors who are supportive of a company's investment case regardless of the macro-economic cycle.

In this report, Clover has endeavoured to use King III and Integrated Reporting principles to clearly show how our value creation chain and business model works to unlock shareholder and stakeholder value.



COMPANIES ACT: REGULATION 43

- Good corporate citizenship
- Labour and employment
- Social and Economic Development
- Consumer relationship
- Environmental, Health and Public Safety

* Dealt with in the Report on Governance Risk and Compliance.

REPORT ON GOVERNANCE, RISK AND COMPLIANCE



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*
- Governing stakeholder relationships
- Internal Audit*
- Integrated reporting and disclosure

SIX CAPITALS



How Clover creates value **today** (continued)

Clover's vision and mission has been aligned to the value chain as we consider strategy, risk, governance, performance and sustainability to be inseparable.

OVERVIEW

This report is structured to incorporate the requirements of the Companies Act 71 of 2008 (Regulation 43) and King III. Clover also utilises the Integrated Reporting Framework (<IR> framework) as issued by the International Integrated Reporting Council (IIRC) in December 2013.

The IR framework provides a principle based approach through which Clover describes how the key components of the value chain (or business model) are applied to create and sustain value for our stakeholders. This Social and Ethics Committee report utilises the <IR> framework concept of "the six capitals". These are the material inputs, outputs and outcomes that flow through Clover's business model to create and sustain value in the long term.

Scope and boundary

The scope of this report covers Clover's South African operations and will in time be extended to our subsidiaries in other

countries. This report focuses on the most relevant and material issues that could impact significantly on Clover's ability to create and sustain value for its stakeholders in the long term.

Clover is one of few South African businesses that has thrived for well over 100 years. We recognise that to survive and prosper, we need to ensure that Clover's operations and planning is geared towards long term sustainability.

Clover's Social and Ethics Committee (the Committee) is Chaired by an Independent Director and includes a further two Independent Directors and one Executive Director. Details of the Committee membership, meetings held and attendance in this financial year are set out on page 22 as part of the Directorate and management section.

The Social and Ethics Committee has considered the matters of the Integrated Annual Report that are pertinent to Clover. The responsibilities and functioning of the Social and Ethics Committee are 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 that utilises sustainable business practices. The Committee monitors, develops, reviews and enhances Clover's social, ethical, environmental and governance impact. To fulfil its responsibilities, the Social and Ethics Committee adopted a formal work plan that accords with its

functions as set out in Regulation 43 of the Companies Act and King III. This work plan is designed to enable Clover to fully discharge its statutory functions. The Board supports the Committee by setting the appropriate tone at the top and Clover's "Way Better" philosophy across the organisation contributes to Clover's ethical culture. This report describes the work and conclusions of the Committee in its fifth year of establishment. Over and above the requirements of the Act, this report's scope includes guidelines from the <IR> framework and the sustainability reporting guidelines (G4 version) of the Global Reporting Initiative (GRI). In short, the aspects of Clover's business most critical to its long-term value creation are summarised in terms of the six capitals principle.

Every year, Clover redefines its risk bearing capacity and risk appetite, and utilises these as the basis for setting materiality levels. Following that exercise, these materiality levels are used to adjust the thresholds of Clover's delegation of authority, so that appropriate levels of managerial approval are set. These same materiality levels are used in Clover's Enterprise Wide Risk Management Framework, which ultimately ensures that all material risks are reported to the Board Committees and considered for inclusion in Clover's Integrated Annual Report. In line with the <IR> framework, Clover only reported on issues it believes to be sufficiently material for inclusion in this Integrated Annual Report. Less significant matters are reported on the website and elsewhere.

ETHICAL LEADERSHIP

Clover has established a philosophy that respects the rights and dignity of others. We are aware that our decisions influence others, therefore our philosophy guides our thinking and decision-making processes. The principle of ethical leadership is integrated into our vision and mission, and guides our people in the way they execute their functions and projects. Ethical and effective leadership drive Clover's strategy to grow a sustainable business that considers its long and short-term impacts on the economy, society and the environment. Clover's committed to promoting equality, and preventing unfair discrimination in all forms.

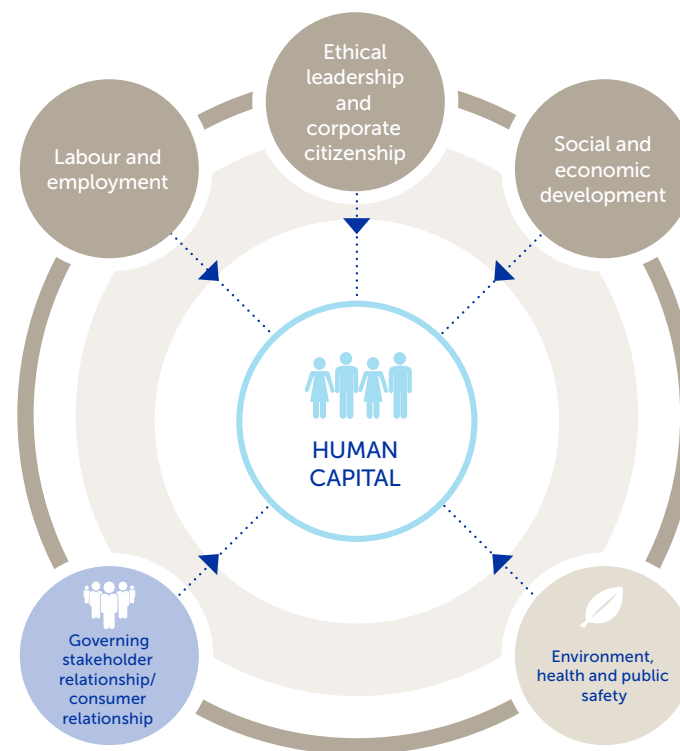
Clover's approach to ethical leadership draws on the principles recommended by:

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

The OECD recommendations on corruption.

Clover is committed to conducting its business activities in a manner that enhances our values, which include ethics, integrity and compliance with the law. Corruption can occur in many forms, including extortion, nepotism, embezzlement, bribery, cronyism and patronage among others. Corruption impacts directly or indirectly on Clover's sustainable development and that of our 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 combating of corruption can be found in the Report on Governance, Risk and Compliance. To ensure compliance with these principles, our HR function and Risk Department conduct annual evaluations of suspected or reported incidents of corruption. During this reporting year's review, no material deviations were reported.

Our ethical leadership principles regarding corruption are outlined in the Report on Governance, Risk and Compliance. Clover conducts ethics awareness campaigns at all our operations and has formalised an Ethics Policy, which is published on the company website.

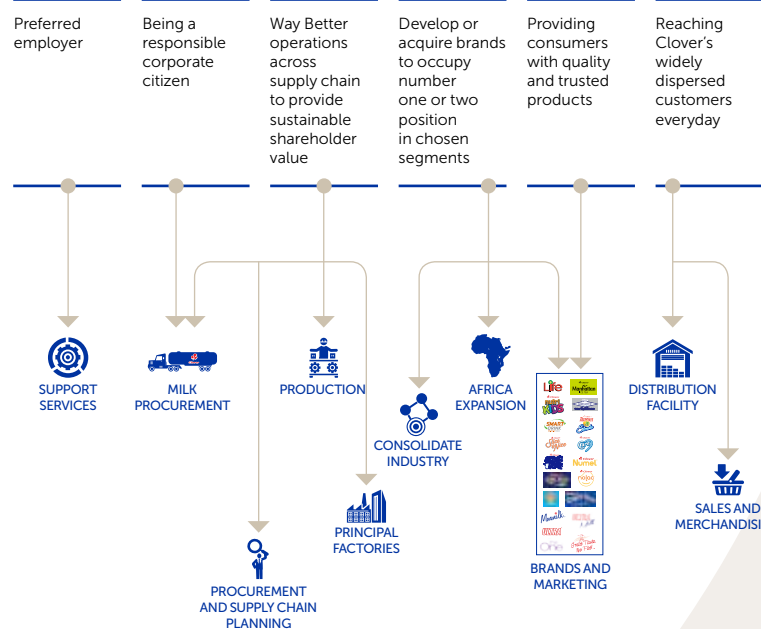








CLOVER'S BUSINESS MODEL

OUR VISION

To be a leading branded foods and beverages group in South Africa and selected other African countries, providing accessible nutrition to all consumers

OUR MISSION



CAPITAL	INPUTS
 <p>HUMAN CAPITAL</p> <ul style="list-style-type: none"> • Employees competencies, capabilities and motivations to innovate • Training • Leadership 	<ul style="list-style-type: none"> • 8 733 Employees • Dynamic management team with significant experience • Ongoing re-assessment of Human Capital strategy
 <p>NATURAL CAPITAL</p> <p>Air, water, land minerals, forests, bio-diversity and ecosystem health</p>	<ul style="list-style-type: none"> • Clover's production facilities and large distribution network • Clover's environmental strategy • Product ingredients, package materials, fuel and electricity • ISO 14001 listing of Clover's production division
 <p>MANUFACTURED CAPITAL</p> <ul style="list-style-type: none"> • Infrastructure, buildings and equipment • Machinery • Transportation 	<ul style="list-style-type: none"> • Formal Health and Safety policies in place • Clover's large distribution networks in place • Heavy investment into production infrastructure in prior years
 <p>INTELLECTUAL CAPITAL</p> <p>Patents, copyrights, software, licences, systems, procedures and protocols</p>	<ul style="list-style-type: none"> • Clover employs and introduces state-of-the-art systems to gain further insight into business functions. • Deeply entrenched household brands, including Clover, Tropika etc. • Staff are encouraged to join various professional bodies through membership
 <p>SOCIAL & RELATIONSHIP CAPITAL</p> <p>Shared norms, common values, behaviours, stakeholder relationships and dependencies</p>	<ul style="list-style-type: none"> • 43 Mamas appointed to care for children and the elderly • Skills selection centres • Clover Mama Afrika assists communities with repairs and renovations to needed infrastructure
 <p>FINANCIAL CAPITAL</p> <p>Equity, debts and grants</p>	<ul style="list-style-type: none"> • Revenue • Cash • Funding

VISION AND MISSION

OPPORTUNITIES AND RISKS

PRODUCTION (16 factories)
Clover products are produced in accordance with international best practices for quality, hygiene and food safety. All South African Clover factories are HACCP certified. All factories are in transitional phase from ISO 22000 to FSSC 22000.

SUPPLIERS
Packaging, transport and other

CONCENTRATE AND INGREDIENT SUPPLIERS

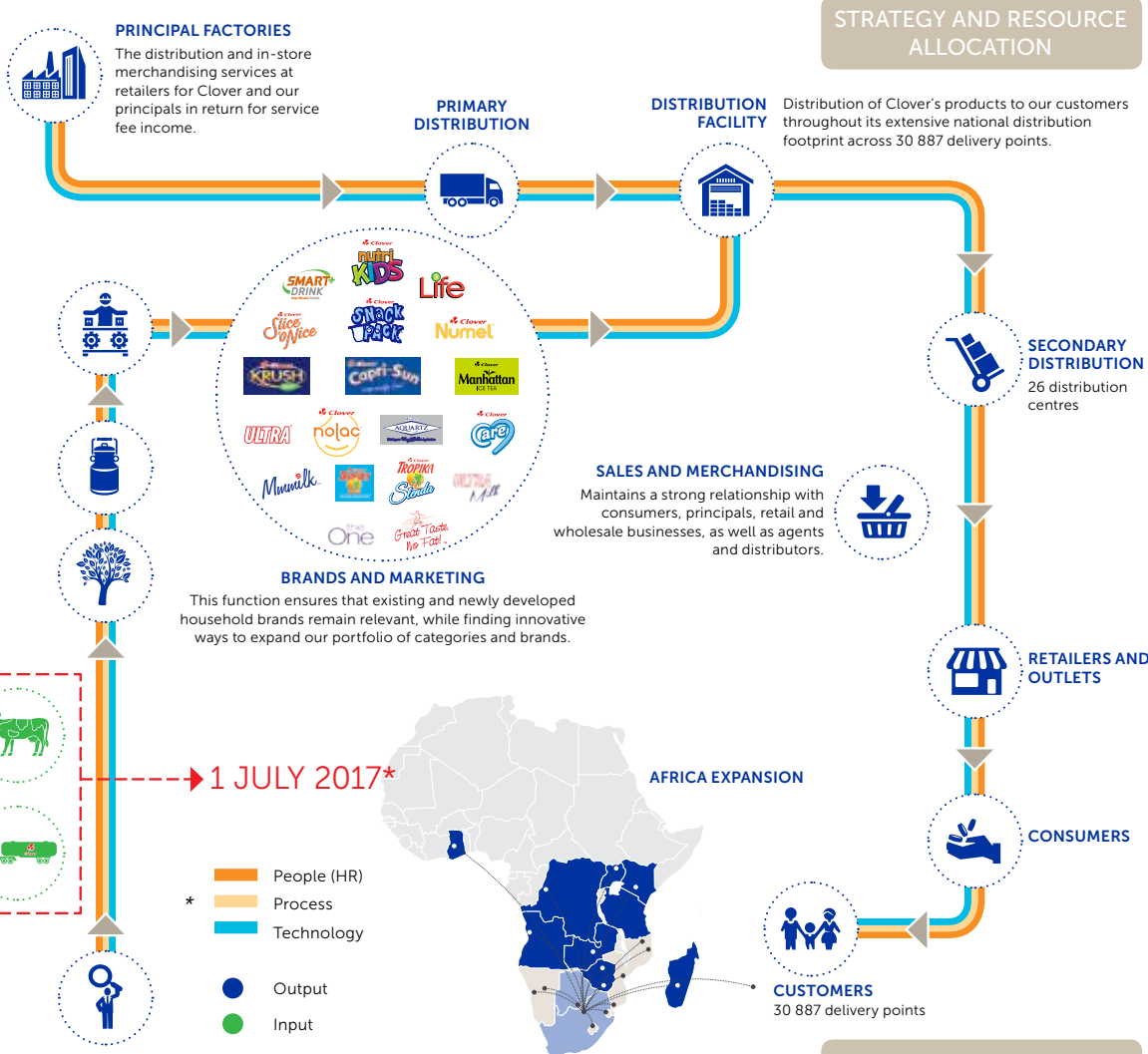
MILK PRODUCERS
Clover milk producers are contracted to ensure a consistent supply of good quality milk in order to match market demands.
Four main regions: Eastern Cape, KwaZulu-Natal, western Highveld and eastern Highveld.

MILK PROCUREMENT
Procurement, collection and transport of raw milk.

PROCUREMENT AND SUPPLY CHAIN PLANNING
Procures high quality ingredients and packaging materials from carefully selected suppliers.

PERFORMANCE

GOVERNANCE



STRATEGY AND RESOURCE ALLOCATION

FUTURE OUTLOOK

OUTPUTS

- Employee turnover rate of only 7.25%
- 2 526 employees trained
- Level 4 B-BBEE status
- Direct energy consumption 1 411 596 (GJ)
- Electricity consumption 124 152 (MWh)
- Water consumed per kg of product 3.86 (L)
- Capital expenditure of R231,1 million
- Distribution delivery points 30 887
- Depreciation R103 million
- Total number of trademarks 911
- Investment in Research and Development R49,6 million
- Total trained beneficiaries 2 054
- Training/Skills development R3 million
- Total sponsorships and charitable givings R4,6 million
- Revenue up 2.4%
- HEPS 63.9 cents
- Administrative expenses reduced by 5.2%

OUTCOMES

- Rising expertise at all staff levels in preparation for new technologies, more efficient systems and internal transformation
- Reskilling and realignment of Human Resource function
- An efficient and motivated workforce, aligned to the businesses objectives
- More efficient processes to reduce costs and quantities of inputs
- Less impact on environment and reduced production costs per unit
- Reduced emissions and non-recyclable waste
- Clover is better prepared for long-term sustainability
- Heightened customer service due to improved logistics and production
- Safety of employees
- Improved packaging, working towards "greener" alternatives
- Increased sales and delivery of innovative solutions
- Expanding portfolio of brands
- Targeted, effective CSI (Mama Afrika) that sets a benchmark
- Sustainable CSI projects through effective skills transfer
- Clover's excellent reputation, attested by numerous awards
- Revenue: R10 billion
- Headline earnings: R121,5 million
- Operating profit: R314,4 million

* Departments supplying support services in the Group are Quality, Procurement, Legal, Risk, Supply Chain, HR, IT, Planning Finance and Marketing
 Clover will purchase raw milk from DFSA at the average national milk cost. DFSA and its producers will still participate in the full value chain of value added products, potentially even more so given DFSA will be able to supply raw milk to other value added processors as well.
 Clover will continuously remain greatly involved in dairy, and will provide all essential services to DFSA such as Production, Distribution, Sales, Merchandising, Support Services and the like.



How Clover creates value **today**: Human Capital



HUMAN
CAPITAL



The prevailing economic climate required ongoing focus on human capital to ensure optimal utilisation of people in the context of the evolving business strategy.



The workforce responded well to the demands placed on it which is testament to the commitment of employees to the business.

Clover is benchmarking its human capital processes against best practice to ensure that we:

- Optimise the performance culture in the business.
- Develop and grow all employees.
- Design the employee experience for engagement, productivity and growth.
- Create a competent and diverse workforce.
- Establish a pleasant, healthy and motivating work climate.

Clover's human capital strategy is regularly revisited and aligned with the business strategy. Focus areas during the past year included the following:

FOCUS AREAS

LEGISLATIVE COMPLIANCE

Ongoing initiatives were undertaken to ensure **legislative compliance**. Corrective action was taken to ensure compliance with "Equal pay for work of equal value" legislation. Ongoing adjustments had to be made to manage overtime hours worked. Clover continued with its efforts to keep employees informed about anti-competitive behaviour and Competition Commission requirements.

ATTRACTION AND RETENTION OF EMPLOYEES

All aspects relating to the **attraction and retention of employees** were revisited. A non-cash recognition policy was approved and salaries were benchmarked to ensure that they are market-related and in line with Clover's remuneration policy. Over and above a general retention strategy for critical positions, Clover is in the process of finalising a specific retention plan for identified employees who have the potential to progress to senior management levels.

How Clover creates value **today**: Human Capital (continued)

CHANGE OF LABOUR LANDSCAPE

The **changing labour landscape**, resulting in a multi-union environment has added new complexities to the business, a stable labour environment has been maintained. Given the increase in levels of union engagement it is anticipated that there will be a greater demand on resources to manage labour relations. Specific actions were launched to upskill management to deal with the demands of this changing landscape.

PRODUCTIVITY

Various initiatives to improve **productivity** were launched during the past year. A number of these initiatives impacted on employees through business restructuring. Staffing levels in the Commercial division were reviewed without negatively impacting service levels. The Gauteng distribution operation was streamlined which resulted in efficiency improvement and cost savings. Further productivity initiatives involved the mothballing of the Bethlehem factory; the closure of the distribution centres located in Kimberley and Upington and the opening of a distribution centre in Kuruman which is better placed to service the region.

ALIGNMENT OF EMPLOYEES

Increased focus on performance management has contributed to improved **alignment of employees**. During a summit, the management group together with sales and marketing personnel were exposed to the broader company strategy and business unit specific action plans. This forum also served to energise and mobilise personnel towards Clover's Way Better approach and mindset. The short-term incentive scheme has been modified to be more heavily weighted towards the Group's results to ensure better alignment with shareholders.

LEARNING AND DEVELOPMENT

Clover acknowledges the need for ongoing investment in **learning and development**. Emphasis is therefore on training that improves job-related skills and competencies that will prepare employees for management and leadership positions in the company. Despite the constrained economic environment, the upskilling of personnel at all levels remained a focus area. Use was made of the range of grants and funds available from the state.

Equipping our employees with the right skills remains a high priority. With this in mind the Company has invested in training and development as follows during the year:

Intervention	2017	2016	2015	2014	2013
Number of employees trained	2 526	2 786	2 601	2 127	1 953
Total training spend per year (R'000)	16 435	16 070	13 486	8 337	7 965
Training spend per total number of employees per year (R)	1 882	1 902	1 657	12 98	1 215
Number of man days spent on training	12 632	12 845	15 306	6 705	4 627

Intervention	2017		2016		2015	
	Total employees	Black employees	Total employees	Black employees	Total employees	Black employees
Number of employees trained	2 526	2 155	2 786	2 102	2 601	2 167
Number of employees enrolled on Learnerships, Skills Programmes and Apprenticeships	701	567	608	454	455	380
Number of employees on Formal Workplace Experience and In-Service Training Programmes	41	40	30	28	24	21
Number of bursaries (employed/ unemployed) granted for degree and diploma studies*	9	3	21	9	26	12
Value of bursaries granted for degree and diploma studies* (R)	120 000	120 000	120 000	120 000	325 113	191 864

* There was a decrease in the amount paid from the 2014 to the 2015 financial year in respect of bursaries due to the shift in focus from degree and diploma studies to learnerships, skills programmes and apprenticeships.





WORKFORCE PLANNING

On the **workforce planning** front, ongoing assistance has been provided with the structuring and manning of Masakhane. Clover has been utilizing external resources available to support this initiative. Substantial administrative and reporting requirements need to be met on an ongoing basis. The staffing of Masakhane not only presents new opportunities for existing Clover employees but also placement opportunities for the unemployed. Initiatives were launched to improve the company's talent acquisition procedures. This is bearing fruit with an improvement in the time taken to fill vacant positions together with a reduction in recruitment costs during the period under review. Further development will take place in this environment and will require improved systems.

MERGERS, ACQUISITIONS AND RESTRUCTURING

As far as **mergers, acquisitions and restructuring** are concerned: the service conditions and benefits of Clover Milnerton (ex-Good Hope) employees have been aligned with those of Clover; a plan has been developed to align Clover Milkyway (ex-Nkunzi) salaries and benefits over a three year period. The creation of Dairy Farmers of South Africa (DFSA) as a separate company resulted in a Section 197 transfer of all Milk Procurement employees. All HR-related legal and administrative requirements in respect of this new business were finalised as per the project plan.

EMPLOYMENT EQUITY

Clover fully supports **employment equity** in the workplace and various measures are in place to contribute to our employment equity objectives. Consultation is taking place at Employment Equity Forums at different levels in the business. Clover continues to make progress in establishing a more diverse workforce profile. Numerical targets at junior and middle management level for the year under review have been met. Clover supports the relevant Codes of Good Practice and does not accept unfair discrimination of any type. The company purposefully strives to provide equal opportunities for employees to grow and develop, based on merit and ability. Clover's employment equity policy clearly sets out responsibilities for different levels of management in managing employment equity.

INNOVATION AND TECHNOLOGY

In the sphere of **innovation and technology** the detailed requirements of the Learning Management System (LMS) were scoped with a view of rolling out the system in the new financial year together with the following modules: recruitment; onboarding; talent management and succession planning. This will enable Clover managers to better manage these critical business processes in line with best practice. Options for improving communication at all levels via electronic platforms are being investigated.

Total number of employees and total female employees at June 2017

Company	Permanent	Fixed term/temp	Grand total	Total women	% Women
Clover SA (Pty) Ltd.	7 417	522	7 939	1 891	23,82
Clover Fonterra Ingredients (Pty) Ltd.	15		15	8	53,33
The Real Beverage Company (Pty) Ltd.	130		130	31	23,85
Clover Waters (Pty) Ltd.	58	2	60	12	20,00
Clover Dairy Namibia (Pty) Ltd.	102	5	107	17	15,89
Clover Swaziland (Pty) Ltd.	36	7	43	9	20,93
Clover Botswana (Pty) Ltd.	357	12	369	102	27,64
Clover Milkyway (Pty) Ltd.	60	10	70	31	44,29
Grand total	8 175	558	8 733	2 101	24,06

How Clover creates value **today**: Human Capital (continued)

KEY HUMAN CAPITAL INPUTS

- Dynamic management team with significant experience in the FMCG and the dairy industry
- 8 733 Employees
- Ongoing reassessment of our Human Capital strategy to ensure alignment with an evolving business environment
- Learning and development programmes ensure an optimally skilled workforce

OUTPUTS OF OUR ACTIVITIES ON HUMAN CAPITAL

	2017	2016
Total amount paid in salaries and wages (R'000)	R1 910m	R1 8267m
Total number of Employees (and Contractors)	8 733	8 949
Percentage of Employees operating in SA	94,1%	94,6%
Percentage of permanent employees	93,6%	94,5%
Percentage of employees who are women	24,1%	23,7%
Percentage of employees who belong to a trade union	50,0%	48,7%
Employee turnover	7,3%	7,9%
Total number of person hours worked	20 682 090	20 921 940
Total number of employees trained	2 526	2 786
Percentage of employees trained in SA	100%	100%
Rand value of Training spend	R16 435m	R16 070m
Percentage of training spend in SA	100%	100%
Days lost to absenteeism	55 853	53 122
Days lost to industrial action	0	1337

OUTCOMES OF OUR ACTIVITIES ON HUMAN CAPITAL

- Rising expertise at all staff levels in preparation for new technologies, more efficient systems and internal transformation
- Reskilling and realignment of Human Resource function
- An efficient and motivated workforce, aligned to the businesses objective

Employee turnover for permanent employees

Company	2017		2016	
	Total who left	%	Total who left	%
Clover SA (Pty) Ltd.	537	6,65	555	7,21
Clover Fonterra Ingredients (Pty) Ltd.	1	6,67	2	15,38
The Real Beverage Company (Pty) Ltd.	19	12,67	23	18,40
Clover Waters (Pty) Ltd.	2	3,13	2	4,44
Clover Dairy Namibia (Pty) Ltd.	53	33,97	34	34,00
Clover Swaziland (Pty) Ltd.	4	10,00	10	29,41
Clover Botswana (Pty) Ltd.	31	8,14	35	10,42
Clover Milkyway (Pty) Ltd.	4	4,35	13	12,75
Grand total	651	7,25	674	7,98

Total number of person hours worked (PHw)

Company	Permanent	Temporary	Gross man-hours Jul 16 to June 17	Absent days*	Nett total man-hours for 2017	Nett total man-hours for 2016
Clover SA (Pty) Ltd.	17 690 205	1 147 185	18 837 390	1 842 736	16 994 654	17 396 944
Clover Fonterra Ingredients (Pty) Ltd.	33 345	0	33 345	4 116	29 229	27 404
The Real Beverage Company (Pty) Ltd.	291 915	3 315	295 230	34 139	261 091	258 000
Clover Waters (Pty) Ltd.	129 090	3 900	132 990	8 679	124 311	104 736
Clover Dairy Namibia (Pty) Ltd.	241 605	8 580	250 185	19 086	231 099	227 028
Clover Swaziland (Pty) Ltd.	82 485	10 920	93 405	5 284	88 121	91 660
Clover Botswana (Pty) Ltd.	826 605	13 650	840 255	64 933	775 322	682 736
Clover Milkyway (Pty) Ltd.	177 840	21 450	199 290	11 216	188 074	n/a
Grand total	19 473 090	1 209 000	20 682 090	1 990 190	18 691 900	18 788 508

No man-hours lost due to strike activity

*All leave types included

Percentage of permanent employees who belong to a trade union

Company	2017		2016	
	%		%	
Clover SA (Pty) Ltd.	51,09		48,00	
Clover Fonterra Ingredients (Pty) Ltd.	0,00		0,00	
The Real Beverage Company (Pty) Ltd.	40,00		36,80	
Clover Waters (Pty) Ltd.	68,97		66,67	
Clover Dairy Namibia (Pty) Ltd.	19,80		33,00	
Clover Swaziland (Pty) Ltd.	0,00		0,00	
Clover Botswana (Pty) Ltd.	44,26		57,01	
Clover Milkyway (Pty) Ltd.	46,67		37,20	
Grand total	50,01		48,73	



How Clover creates value **today**: Natural Capital



The significant ramp-up of relative pricing of energy and other utilities had a major impact on Clover during the review period. Strategies are under way to sharply reduce our consumption of resources to remain competitive, especially with regard to water, sanitation and electricity. Infrastructure constraints at municipal level, has resulted in a deterioration in the quality of municipal water and electricity provision. This places additional pressure on Clover to ensure sufficient chilled storage space, and contingencies to minimize impact on production. Clover's constant focus on electricity, fuel and water consumption and carbon emissions further delivered efficiency improvements and utility cost reductions in the year under review and were in line with performance targets.

Clover recognises our responsibility to reduce or even eliminate the impacts of our business on the environment. This responsibility relates not only to Clover's direct operations, but also to our supply chain partners and their environmental impacts.

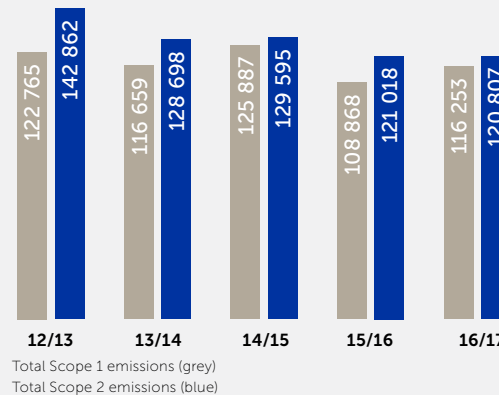
Clover is therefore implementing an Environmental Management System (EMS) as a structured framework for continually improving our environmental performance.

CARBON FOOTPRINT

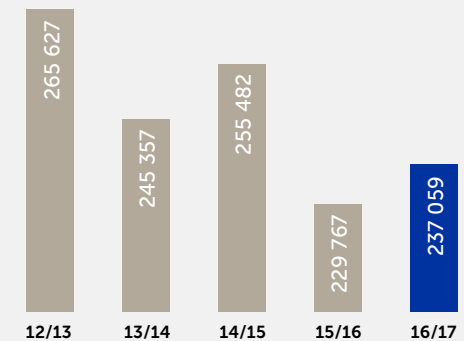
Clover's carbon footprint extends over the operations of the following four business units:

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.

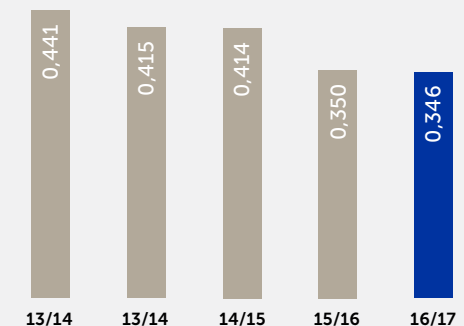
Carbon footprint - by scope (tonnes CO₂e)



Carbon footprint – total scope 1 + 2 emissions (tonnes CO₂e)



Carbon intensity (tonnes CO₂e per Ton produced)





ENVIRONMENTAL

Clover's environmental strategy commenced formally in the 2011 financial year, when we accepted our responsibility to reduce, and as far as possible, to eliminate the environmental impact of our business. Environmental excellence offers business efficiencies, as energy and services costs usually comprise approximately 19% of a food manufacturer's fixed costs.

We have extended this duty of environmental care to our supply chain partners. Clover actively monitors environmental, health, safety and quality through the use of our dedicated Entropy SHEQ management system and other forms of assurance, such as internal and external audits.

The Clover production division has been certified as compliant with the ISO 14001 standard.

Operational Efficiency

	2014/15	2015/2016	2016/17
Total Direct Energy Consumption (Gigajoules, GJ) – i.e. from fuels burned	1 514 773	1 353 188	1 411 596
Total Indirect Energy Consumption (Gigajoules, GJ) – i.e. from electricity consumed	482 168	447 262	445 027
Total Electricity Consumption (MWh)	133 936	124 236	124 152
Total Energy Consumption in Gigajoules	1 966 941	1 800 449	1 856 623
Electricity consumed per kg product produced (kWh/ton)	137,3	120,01	112,4
Fuel consumed for steam generation (coal, diesel, HFO, per product produced (kWh eq/ton)	402	379	359
Waste to landfill in kg per ton produced	7,3	8,3	6,2
Total weight of non-hazardous waste disposed (ton)	4 767	6 529	4 367
Total weight of hazardous waste disposed (ton)	38,3	16,8	3,8
Total weight of waste sent for recycling (ton)	1 695	1 651	3 491
Percentage of waste disposed of that is sent for recycling	66	55	70
Water consumed (litres) per kg of product produced	4,03	3,85	3,9
Total Water Consumption (kilolitres, or Kl)	2 604 358	2 713 623	2 711 524
Carbon footprint			
Total Carbon Emissions (tons of carbon dioxide equivalents, CO ₂ e)	255 482	229 887	237 059
Total Scope 1 Emissions (tons CO ₂ eq)	125 887	108 868	116 253
Total Scope 2 Emissions (tons CO ₂ eq)	129 595	121 018	120 807

How Clover creates value **today**: Natural Capital (continued)

Key Natural Capital inputs

- Product ingredients, packaging materials, fuel and electricity.
- Clover's production facilities and large distribution network.
- Performance targets have been set for usage of resources (e.g. Water, fuel, electricity).
- Clover's Environmental strategy.

Outputs

	2017	2016
Total direct energy consumption (GJ)	1 411 596	1 353 188
Total electricity consumption (MWh)	124 152	124 236
Electricity consumed per KG of product produced (kWh/ton)	112,4	120,0
Water consumed per kg of product produced (L)	3,9	3,9
Total carbon emissions	237 059	229 887

Outcomes

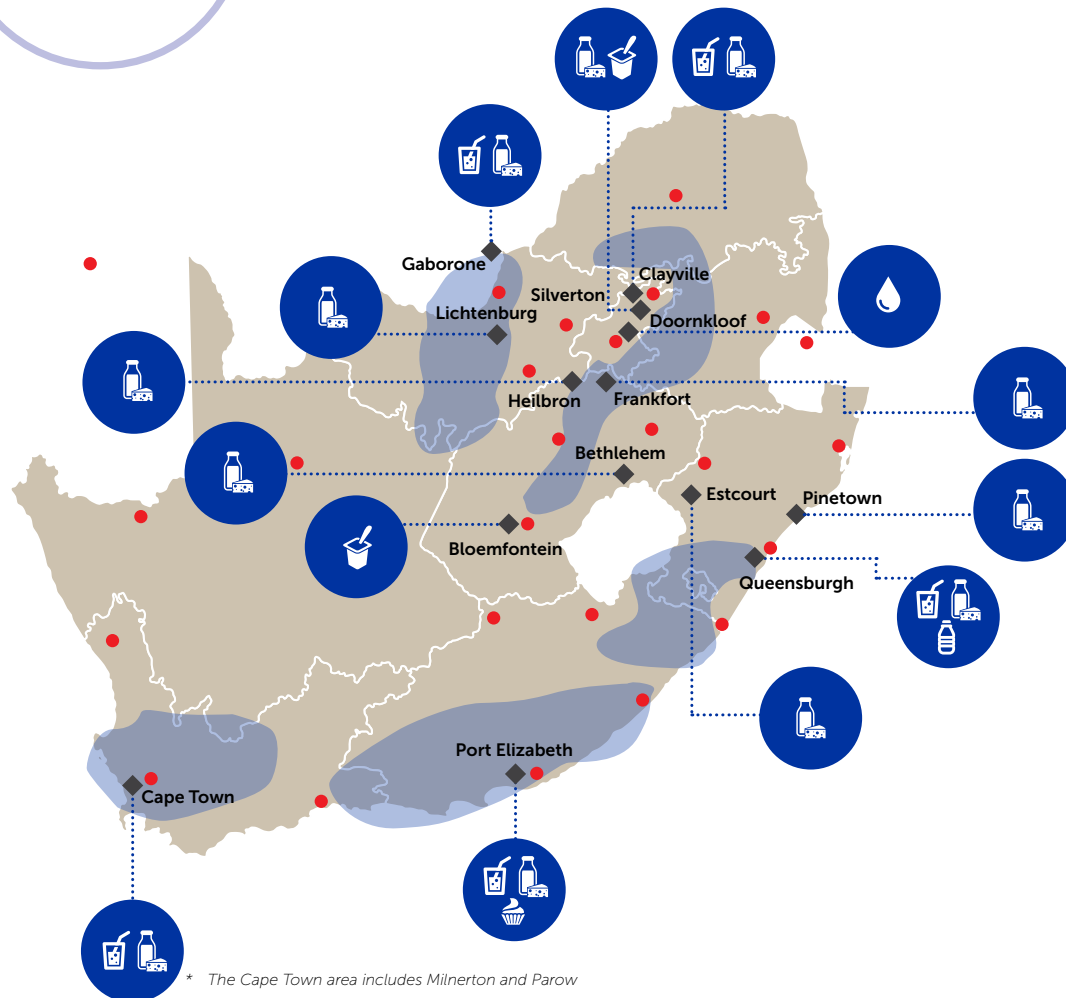
- More efficient processes to reduce costs and quantities of inputs.
- Less impact on environment and reduced production costs per unit.
- Reduced emissions and non-recyclable waste.



How Clover creates value **today**: Manufactured Capital














MANUFACTURED CAPITAL



* The Cape Town area includes Milnerton and Parow

This table depicts salient features of Clover's manufactured capital:

PRODUCER SELECTION	As at 30 June 2017, Clover sources its milk from 145 carefully selected collection points.
ONGOING QUALITY ASSURANCE	55 quality checks are performed on fresh milk from when it is collected at the farm to when it reaches the shelf.
CLOVER WAY BETTER APPROACH TO WORK	Clover's production systems are flushed regularly to ensure freshness.
CLOVER WAY BETTER SUPPLY CHAIN AND WAREHOUSING CAPABILITIES	Delivering to approximately 30 887 points through 592 trucks to an average of 8 customers per day per truck.

-  DAIRY (MILK, CHEESE, BUTTER, CONDENSED MILK, CREAM AND MILK POWDER)
-  DESSERTS (BLISS)
-  WATER (NESTLE PURE LIFE, AQUARTZ)
-  BEVERAGES (KRUSH, TROPIKA AND NECTOR, DANA0)
-  YOGHURT (IN SHAPE, FRUITS OF THE FOREST, VITABELLE, RAINBOW)
-  ICE TEA (MANHATTAN)
-  CLASSIC (YOGHURT AND CUSTARD)
-  FLAVOURED MILK (SUPER M, Mmmilk)
-  CLOVER'S MAIN MILK PRODUCING AREAS
-  CURRENT PRODUCTION FACILITIES
-  CLOVER DISTRIBUTION CENTRES

How Clover creates value **today**: Manufactured Capital (continued)

Supply Chain Planning and procurement

Clover's Supply Chain Planning department centrally plans all manufacturing, purchasing, storing and deployment of finished goods throughout Clover's integrated supply chain. Production requirements, stock levels and deployment plans are based on predicted future market demand for Clover's products. Consumer demand is predicted through a sales and operations planning process that utilises statistical forecasting models. These results are further checked in collaboration with Clover's Commercial and Clover Marketing divisions.

The Supply Chain Planning department is also responsible for managing all primary transportation between factories and distribution depots, as well as bulk deliveries to selected customers.

Clover's centralised procurement department is responsible for procuring ingredients and packaging materials from qualifying suppliers to provide consistently high-quality materials for production. Clover's procurement philosophy is to build partnerships that shift the understanding beyond monetary considerations to also include socio-economic objectives and long-term value creation.

Milk procurement

As a market-driven company, Clover sources its raw milk in volumes to match projected demand. Clover's unique milk procurement system (CUMPS) is instrumental to helping ensure that Clover sources and retains raw milk according to its needs. Raw milk quality is the key to the safety and wholesomeness of Clover's products. Clover regularly audits each and every farm where raw milk is produced and purchases all its milk from farms with above 80% audit scores against guidelines stipulated in Clover's Best Farming Practices.

Production

Once the raw milk has passed all quality tests, it is processed at one of Clover's 16 production facilities across South Africa and in certain African countries. Our products during the reporting period include fresh milk, UHT milk, flavoured milk, yoghurt, cheese, butter and milk powder, desserts, fruit juices, dairy fruit mix, water and iced tea. The base ingredient for our beverages is generally produced as a concentrate from carefully selected suppliers who guarantee consistently high-quality products. The concentrate is mixed with good quality water to manufacture final products such as Krush Juice and Tropika. Municipal and natural groundwater sources are regularly tested for safety and quality.

Clover owns the bulk of the properties from where we operate. Clover's buildings and equipment are comprehensively insured, including for potential loss of profit due to business interruptions. New and innovative technologies are enabling Clover to consolidate some of our facilities for cost efficiencies. Clover continuously seeks ways and means to reduce costs along the supply chain to ensure that we remain cost competitive, while also lessening our environmental impact by reducing resource consumption.

Labour productivity increased substantially in the 2015/16 financial year, but reduced in 2016/2017, as volumes reduced substantially on certain production platforms. These platforms are being consolidated at present to ensure an improvement in average output per hour going forward. Clover is investing in automation for repetitive tasks, improved software and working methods to continue increasing productivity at the various Clover facilities.

Occupational Health and Safety

Clover has a responsibility to provide safe and healthy working environments. Formal health and safety policies are in place, and are monitored. Standard health and

safety procedures exist for every potentially dangerous substance or operation in the workplace. All of Clover's production facilities and distribution facilities were audited during the review period, for compliance with all applicable environmental legislation and the Occupational Health and Safety Act (OHS). Annual audits evaluate continuous health and safety improvement, supported by independent verification audits conducted every three years. Clover's Lost Time Injury Frequency (LTIF) rate, based on reportable injuries per 200 000 man-hours worked, improved compared with the previous year. The table on page 111 aggregates current Clover health and safety statistics.

Quality

All Clover products are produced in terms of international best practices for quality, hygiene and food safety. These are only formally released by the Quality Control department once assessed against these specifications. All South African Clover factories are HACCP certified and accredited by third party auditors. We comply with all international standards required for food safety and quality risk management systems. Clover Quality Assurance and Control deploys highly trained technicians in well-equipped laboratories to test our products at all production stages.

Clover implemented the latest and world-wide accepted FSSC 22000 Quality Management system. Clover also introduced a Supplier Quality Control programme to ensure that all raw materials and packaging materials comply with internationally recognised food safety requirements.

Distribution

Clover's Primary Distribution Department moves all our products from factories to distribution facilities across South Africa. Every day, our Customer Call Centre receives electronic or telephonic customer orders and arranges deliveries from one of Clover's 26 distribution centres to approximately 30 887 delivery points in South Africa. Clover

also has agreements with several major customers, for whom we provide distribution and in-store merchandising services.

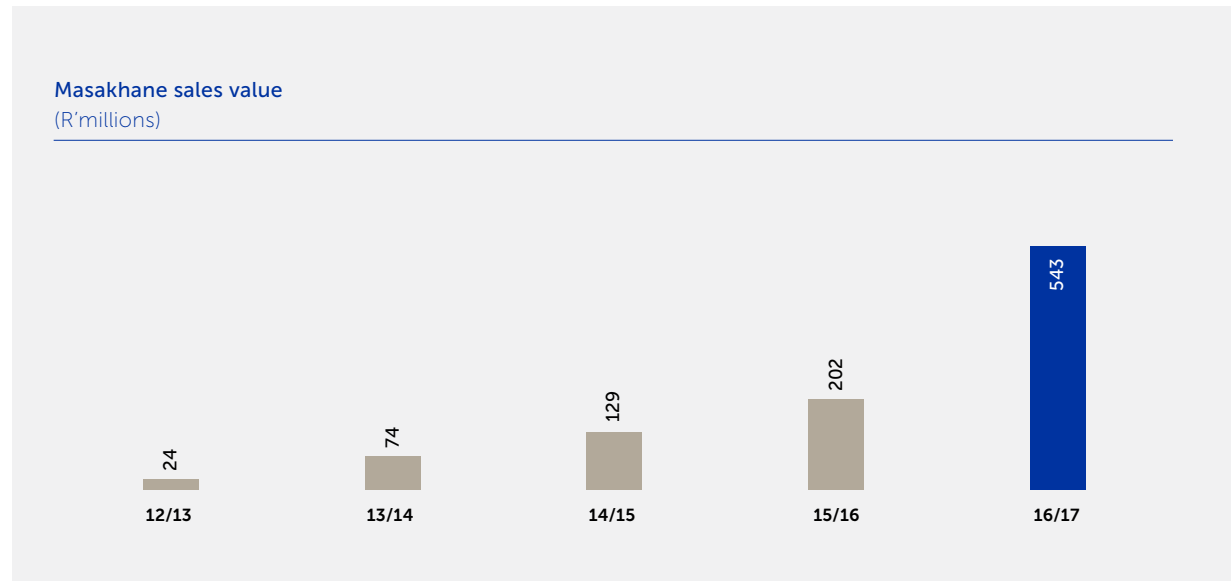
Masakhane – “Let’s build together”

Masakhane (literally meaning “Let’s build together”) got off the ground in 2012 as Clover’s first targeted approach to informal (emerging market) trading environments. The Masakhane objective is to grow the “emerging market” customer base and revenue stream by selling to stores that do not form part of a Clover Key Account or Buying Group. Masakhane has enabled Clover to rapidly increase our reach and footprint into informal and formal Food Service Industry (FSI) trading systems such as spaza shops, tuck shops, corner cafés, general traders, hotels, schools, B&B, restaurants and bottle stores.

Masakhane aims to create 1004 new and permanent jobs within the distribution and informal retail sector by reaching 61,603 customer stores by 2020. Masakhane recruits undergo sales, marketing and distribution training that equip Masakhane entrepreneurs with the ability to carry out their daily responsibilities, while preparing and developing them for formal trade. Furthermore, Masakhane provides training directly to the informal store owners to provide the required commercial and supply chain expertise to further develop and sustain their stores. Masakhane is a definite solution to the socio-economic problem of unemployment in South Africa and therefore is a catalyst for growth and job creation in the emerging market.

Masakhane’s initial 2012 customer base of 600 stores, has since expanded rapidly to 15,403 stores. Sales growth for the Masakhane channel over the last year was 168%.

The Masakhane sales channel has evolved from a strictly informal trade to now include the formal & informal FSI sales channel. The results have been so successful that Clover Masakhane has now expanded into the Swaziland and Namibia countries, where Clover has a sales and distribution infrastructure presence and “route to market” footprint.



How Clover creates value **today**: Manufactured Capital (continued)

- Factory machine availability**

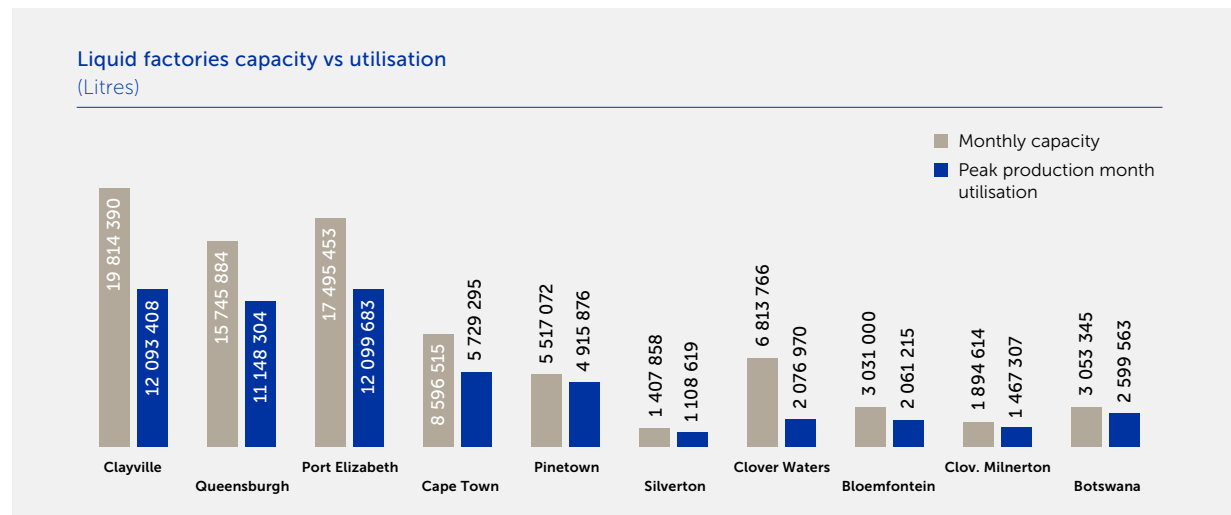
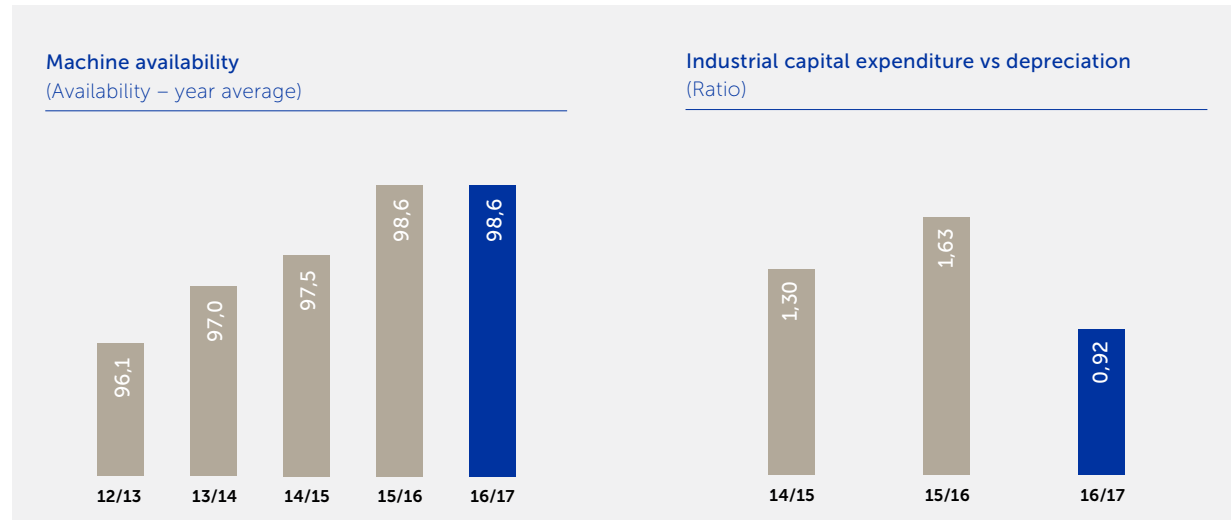
Maintaining a high level of machine availability is vital for achieving higher throughput per hour, reducing product losses and reducing energy consumption. A further benefit is that assets are properly utilised, and the need for additional equipment to accommodate a higher level of production is reduced when availability improves. Clover's machine availability averages have increased substantially over the past five years.

- Depreciation vs Capital expenditure**

The quality of Clover's manufactured capital will deteriorate if we do not continually invest in it. Clover invests to improve efficiency and effectiveness rather than merely maintaining assets. In the first two years of the three year period shown, we allocated substantial capital resource into enhancing the quality of our manufacturing assets. During the past year, capital expenditure was limited to a strong focus on the maintenance, rather than the improving, of current capabilities. If maintained over the medium term, competitiveness would decrease. The graph below represents the capital investment for Clover's production facilities.

- Capacity utilisation**

Sales growth is only possible if the manufacturing capacity exists to meet the higher volumes of production required. Clover's ability to manage manufacturing capacities is vital for ramping up to meet unexpected demand, or to reduce production when needed to keep unit production costs down. Clover's capacity utilisation per product group must remain within best practice parameters. Milk intake is seasonal, with an increased milk intake between August and January in any given year, so that certain factories work at full capacity in the seasonal peak cycle. Production reduces substantially in the off season. Clover's capacity



during the seasonal peak determines limits for increased milk intake. As some products are highly seasonal, the average value and the peak (October) value have been utilised as being the most illustrative.

Key Manufactured capital inputs

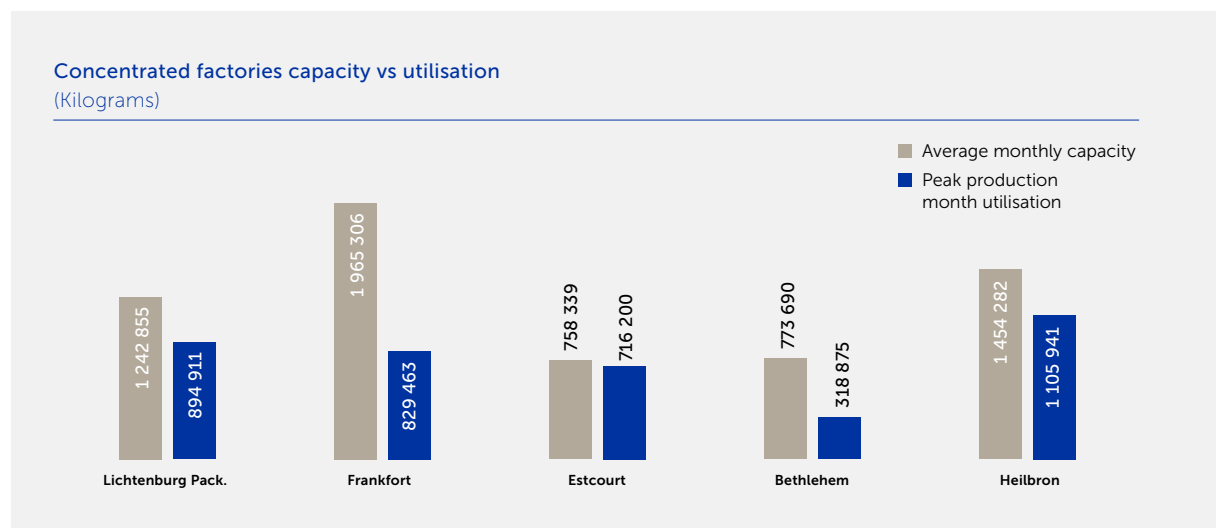
- State-of-the-art planning software being used by the Supply Chain Planning department.
- Substantial investment into production infrastructure in prior years.
- Clover's extensive distribution network.
- Masakhane, which enables Clover to rapidly increase our reach into the informal trading market.
- Formal health and safety policies in place

Outputs

	2017	2016
Capital Expenditure	231,1m	150,16m
Depreciation	103,43m	92,10m
Distribution Delivery Points	30 887	20 545
Informal stores serviced (Masakhane)	17 678	9 801

Outcomes

- Clover is better prepared for long-term sustainability.
- Heightened customer service due to improved logistics and production.



Description	Supply chain	
	2016	2017
Number of people receiving Health and Safety training (1 Person, 1 Course = 1)	421	302
Fatalities – People working under our control	1	0
Total Number of Recordable Injuries, including Medically Treated Cases, Lost Time Injuries and Fatalities	610	824
First Aid Cases – Persons working under our control	566	779
Reportable (Compensation Commissioner) lost time injuries for this financial year	43	45
Fatal Injury Frequency Rate (i.e. number of Fatalities per 200 000 person hours worked)	0,011	0
Lost Time Injury Frequency Rate (i.e. the number of LTIs per 200 000 person hours worked)	0,5546	0,62712

How Clover creates value **today**: Intellectual Capital



Over the years, Clover's marketing and new product development ("NPD") departments have developed several iconic household brands

TRADEMARKS AND PATENTS

Clover is the proprietor of more than 900 registered trademarks.

Clover further holds 11 patents registered in South Africa and Namibia.

Clover's intellectual property is protected through employment contracts, confidentiality agreements and licence agreements.

Brands and reputation

Over the years, Clover's marketing and new product development ("NPD") Departments have developed several iconic household brands. These include Clover, Tropika, Butro and Krush, amongst others. These brands are evolved and kept relevant to their markets through regular monitoring of the South African retail and consumer landscape and continuous marketing activities, utilizing various communication platforms such as in-store campaigns, digital campaigns, TV and print media.

Clover has been a household name for more than a century and has played an integral role in the development of South Africa's dairy and fast-moving consumer goods industry. Today, Clover is a high profile branded consumer goods company with core competencies in the development, production, distribution, sales and merchandising of both fresh and ambient food and beverage products.

Commercial sales

The ethos and strategy of Clover's commercial sales department is to stay ahead of changes in existing markets, while entering new markets and product categories.

Information Systems

Clover's in-house Information Technology (IT) Department provides the digital backbone for all our management systems. Clover's IT governance and its independent assurance is outlined in the Governance, Risk and Compliance Report.

Distribution for third parties

Clover leverages our market leading distribution system to provide sales and distribution services to many leading companies.

Product Innovation and Technology

As the owner of numerous household brands, Clover needs to continuously



refine its marketing strategy. We do this by acquiring or developing new value-added products for integration into our brand portfolios.

Clover's market share in major food and beverage product categories was as follows:

	Clover's Percentage market share as at 30 June 2017	June 16
Fresh Milk	21,8	24,1
UHT Milk	14,1	14,6
Fresh Cream	21,9	28,4
Feta Cheese	24,7	27,9
Natural Pre-Packed Cheese	18,5	17,0
Liquid Custard	10,1	7,6
Processed Cheese Slices	9,4	15,4
Pure Fruit Juice	44,3	42,9
Dairy Fruit Mix	83,9	79,0
Ready-to-Drink Iced Tea	15,1	17,2
Bottled Water (Including Aquartz and Nestlé)	7,3	11,0
Ready-to-Drink Flavoured Milk	31,9	29,7
Maas	9,6	9,3
Yoghurt	8,7	8,3

Source: Nielsen Report 30 June 2017 (12 monthly moving).

Key Intellectual Capital Inputs

- 911 trademarks registered.
- Deeply entrenched household brands, including Clover, Tropika, Butro and Krush, to name a few.
- Clover constantly improves its business process through state of the art systems to automate and gain further insight into business functions through various IT and system licences
- Staff are encouraged to join various professional bodies/institutions through memberships.

Outputs

	2017	2016
Total number of Trademarks:	911	966
In South Africa	470	442
In the rest of Africa	436	523
In other countries	5	1
Investment in Research and Development	R49,62m	R37,70m

Outcomes

- Improved packaging, working towards "greener" alternatives.
- Increased sales and delivery of innovative solutions.
- Expanding portfolio of brands.
- Clover regularly wins awards that confirms its status as a trusted household name.

Clover often wins awards that confirms its status as a trusted household name. Some awards bestowed on Clover in the recent past include:

- Winner of South Africa RepTrak® 2016 and 2017 most reputable company in South Africa award.
- Numerous 2016 SA Dairy Championships and Product Quality awards.
- Product of the year 2016 winner: Tropika 200ml.
- Winner of Reader's Digest's Most Trusted Brands for 2015.
- South Africa's leading Iconic Brand in the fresh milk category in 2015 and 2016, and in the cheese and juice categories in 2016.
- Although not Icon Brand Status, Clover was the category winner in this survey in the UHT Milk, Cream, Condensed Milk and Feta categories.
- Clover Fresh Milk also achieved Kasi Star Brand status in the 2016 and 2017 surveys (the same accolades as Icon Brands, but survey conducted only in South African Townships).
- In 2017 Clover also emerged as category winner in the Kasi Brands survey for yoghurt, cheese, cream and condensed milk.

Clover consumer campaigns "Little Big Cook Off" and "Tropika Island of Treasure" both received SAFTA awards in 2015 in the game show category



CREAM

Clover cream is ultra-pasteurised to ensure a superior quality product with an extended shelf life. Clover aims to increase its market share in this segment by creating awareness and educating consumers on the multiple uses of cream. The packaging used for our cream products are dedicated to recipes and communication on all areas of cooking and baking where cream can be used.



FRESH MILK

Clover has the largest market share in fresh milk. In order to maintain this position, Clover focuses on differentiation and innovation, underpinned by superior quality, providing consumers with solutions that make their lives Way Better.



UHT MILK

The quality and goodness of UHT milk is kept fresh for longer due to the UHT (Ultra High Temperature) process and special packaging that allows the product to be stored for a period of six months without refrigeration.



FETA CHEESE

Clover feta cheese is the second largest brand in the market and is competing for the number one position. In this extremely price sensitive market, Clover recognises that it is important to ensure good quality at the right price.

Further to this, Clover promotes feta in store to drive growth and profitability.



BUTTER

Clover is one of the largest manufacturers of butter in the country. Clover is one of the market leaders in this segment, including such well-known brands as Clover Mooi River salted butter, Clover Springbok unsalted butter and Butro butter spread. Clover butter is a natural product without any additives and artificial colouring.

CLOVER'S RANGE OF CHEESES

For over 100 years, Clover cheeses have been making mealtimes more delicious. This is because they are made according to the highest quality standards, with care and dedication. Clover is a strong market player in the Natural, Processed and Feta pre-packed cheese segments.

Clover's award-winning feta and individually wrapped processed cheese is indicative of Clover's clear ambition to provide consumers with the highest quality, best tasting products. Clover cheeses are made with great tasting and excellent quality ingredients.





AQUARTZ NATURAL MINERAL WATER

Aquartz is a natural mineral water bottled directly at source, to ensure the highest quality, purity and safety.

Aquartz is available in natural mineral water or in sparkling water options.



NESTLÉ PURELIFE MINERAL WATER

Nestlé PureLife is a still or sparkling mineral water that is bottled directly at its unique source. Its balance of minerals and crisp mouth sensation revives your palate and is pure hydration for the whole family.



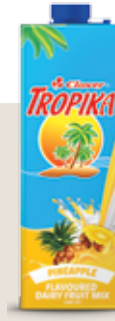
DUO

Duo is a dairy fruit mix drink containing real fruit juice and dairy with added vitamins A, B, C, D and E and Calcium. The brand focuses on the inherent goodness of fruit juice and dairy – “Double the Happiness”. A campaign is underway to broaden the appeal from being a breakfast drink to an all-day, any time refreshment with an extended consumer target market.



CLOVER LIFE NECTAR

Clover Life Nectar range offers consumers a delicious, refreshing juice nectar that is affordable enough to purchase regularly. Clover Life has always been a favourite in South African homes and occupies the number one position in the Fruit Drink / Nectar category.



TROPIKA

Tropika is made from a combination of fruit juice and dairy, which results in a unique smooth tasting beverage. After 32 years in the South African market, Tropika is still the market leader and the bestselling dairy fruit mix beverage in South Africa.



MANHATTAN ICED TEA

Manhattan Iced Tea is a non-carbonated beverage with a tea extract base and fruit flavour blends. Manhattan Iced Tea has two tea extract variants, black and green, which are then blended with a variety of fruit flavours or fruit blend combinations for a refreshing and tasty ready to go Iced Tea.



CLOVER KRUSH

Clover Krush is a premium, 100% fruit juice blend, available in 10 exciting flavours and catering for the entire family. Clover Krush will ensure not only a great healthy alternative, but the delicious tastes of nature with uncompromising everyday goodness. No sugar or sweeteners are added to the juice and it is enriched with Vitamins A, C and E. Clover Krush is the market leader in the pure juice, short life fruit juice market.



SUPER M

Super M is available in four great flavours: chocolate, strawberry, banana and cream soda. Where the competing market leading brand's strategy is based on flavour, offering a variety of flavours for each consumer, Super M decided to follow global trends and offer variety in pack sizes in the top four selling flavours.



CONDENSED MILK

Full-cream sweetened condensed milk manufactured by Clover is prepared from standardised bovine milk and pure refined sugar. The product does not contain any preservatives except sugar.



CLOVER CLASSIC CUSTARD

Clover Classic is Clover's range of creamy, smooth and delicious ready-to-eat Custard and Smooth yoghurt. Clover Classic Custard is made with the Unique Clover Recipe and is also a Source of Vitamin A, B2 & D. The perfect everyday treat for the whole family. Clover Classic; The creamy taste that takes you back.



AMASI

Amasi (so called in Zulu and Xhosa, and "maas" in Afrikaans) is the common word for fermented milk that includes a rich flavour, creamy and smooth texture.

Clover brings the love for tradition into dairy with Clover Amasi. Clover's Maas recipe is rich and creamy to reignite the love in their customer's hearts with this cultural and delicious treat.



FRUITS OF THE FOREST

Fruits of the Forest is a high quality, low fat, fruit yoghurt made with real fruit pieces. Its improved recipe now offers a creamier taste, bigger and crunchier fruit pieces than before, and 10 vitamins. Available in a variety of popular flavours and convenient packs, consumers can indulge in this 'fruitful' bounty any time of the day.



CLOVER CLASSIC YOGHURT

Clover Classic is Clover's range of creamy, smooth and delicious ready-to-eat Custard and smooth Yoghurt. Clover Classic Yoghurt is Clover's range of Low Fat Smooth Yoghurt made with the Unique Clover Recipe. Clover Classic Yoghurt is a Source of 10 Vitamins and available in a variety of flavours and pack sizes. Clover Classic; The creamy taste that takes you back.



CLOVER NOLAC

Clover Nolac is an innovative, great tasting, quality milk product for lactose intolerant people and those avoiding lactose. It is an easy to digest and nutritionally boosted product in an easy, convenient format. This product is also enriched with calcium and vitamin D, which are nutrients known to be lacking in the diet of a lactose intolerant person.



CLOVER CARE

Clover Care Enriched Full Cream Milk is a quality tasting milk that is now enriched with vitamins, amino acids and minerals to give the whole family the nutritional boost they need to stay healthy. This innovative product delivers all the nutrients consumers are looking for in an easy, convenient format, without the expense of multivitamins.



FRANKIES OLDE SOFT DRINK

Clover Frankies offers the current Frankies range of carbonated soft drinks, ice lollies and hot chocolate to the market. The Frankies product brings original, unique and innovative flavours to the already established Clover brand.



CLOVER NUMEL

Clover Numel is the first product of its kind in South Africa which is a long life dairy blend of full cream or low fat milk, cream, whey powder and buttermilk powder with added vitamins and minerals. Numel is a product that will help consumers get more value for their money without losing out on quality. This product is ideal to use in cooking, baking, on cereals and in tea and coffee.



CLOVER "SIP UP" DRINKING YOGHURT

Sip Up is a nutritious and trendy yoghurt that will help curb daytime hunger while providing all the nutrients for healthy bodies. The trendy bottle is convenient and practical, making it a great on-the-go snack. Sip Up is a great source of 10 vitamins, calcium and sustained energy all day long.



CLOVER KRUSH LONG LIFE 100%

Clover Krush Long life has the same refreshing taste and nutritional benefits as Clover Krush 100% fresh fruit juice, nothing added but the convenience. It is preservative free and available in 5 flavours. Consumers can purchase Krush Long life in bulk and store. Clover Krush Long Life is also available in a healthy and convenient 200ml lunch box offer for kids.



CLOVER OLIVE PRIDE

Clover Olive Pride offers the current Olive Pride range of Extra Virgin Olive Oil, Green and Black olives and Balsamic Vinegar. It is locally produced and imported from Spain.



TROPIKA SLENDA

Tropika Slenda comes in a modern and distinctive 425ml slender and taller bottle with a full shrink sleeve.

It is available in a range of 4 smooth twist flavours:

- Orange with a twist of Passionfruit
- Pineapple with a twist of Kiwi
- Strawberry with a twist of Cranberry
- Litchi with a twist of Lime

Tropika Slenda has 80% less calories than regular Tropika yet will still taste smooth and delicious.

Tropika Slenda is endorsed by the GI and diabetes foundation.



SNACKPACK

Introducing new Clover SnackPack. Clover's range of quality, yet affordable range of smooth yoghurt in a convenient 6 x 70g pack size. Made with the goodness of Clover Dairy, it is also a Source of 10 Vitamins as well as Kosher & Halaal approved. Anytime is snack time with Clover SnackPack yoghurt.



NUTRIKIDS

Clover Nutrikids™ is an enriched toddler's range comprising of Instant milk powder, Full Cream Milk (Ready To Drink), Fruit Nectar Blend and Smooth yoghurt for kids aged 3years and above.

Clover Nutrikids™ is set on providing a foundation of healthy development for toddlers as it offers products which are high in vitamins ,a source of calcium and iron.

It's Good for mom, way better™ for kids!

How Clover creates value **today**: Intellectual Capital (continued)

Licence and memberships

Clover is constantly looking for ways to improve its business, methods and record keeping. Introducing state of the art systems to automate and gain further insight into business functions, enables Clover to be "Way Better".

The following table lists some of Clover's significant IT and systems licences:

Software	Description
BES Time	Time & Attendance Software
ERP LX, eRMS, ELKE	ERP System
SSL Certificates for external exposed systems	IT Security
KAS, Milk System	Application Development Software
Cognos	Analytics and Reporting
Heat & ITSM	Customer/Consumer call logging software
Exrillo	Export System
Dispatcher	Warehouse Management System
Startrak	Warehouse Management System (Small Branches)
D-BIT	Fixed Assets System
ION BI	Fixed Budget System
FTP Server	Integration
Brightstor	Backup Software
Sophos	IT Security
Email protection	IT Security
DB2Connect	Development software for Data Warehouse
Websphere Message Broker	Integration Software
Wonderware	Process Control Software
AutoCad	Design Software
Entropy	SHE Software
On-Key	Production Performance Software
Advanced Planner, Demand Planner, S&OP	Planning Software
Optima/Plato	Primary Distribution Software
Roadshow	Secondary Distribution Software (Route Optimisation)
BarnOwl	Risk Management

Clover's people are encouraged to join institutions that offer knowledge and networking. Clover, as an organisation, and our people belong and contribute to the following associations:

Capitals	Memberships or Professional Institutions
 Human Capital	Institute of Directors
 Natural Capital	Cape of Good Hope Agricultural Society Central Agricultural Society South African Juice Association Milk SA International Dairy Federation Global Dairy Platform (GDP) Dairy Sustainability Framework (DSF) International Farm Comparison Network (IFCN) South African Society of Dairy Technology
 Manufactured Capital	Engineering Council of South Africa National Laboratory Association South African Association of Food Science & Technology South African Institute of Professional Engineers The Institute of Packaging Chartered Institute of Purchasing and Supply
 Intellectual Capital	Consumer Goods Council of South Africa Law Society of South Africa
 Social and Relationship Capital	Health Professions Council of South Africa South African Reward Association
 Financial Capital	South African Institute of Chartered Accountants Chartered Institute of Management Accountants South African Institute of Professional Accountants

How Clover creates value **today**: Social and Relationship Capital



SOCIAL AND RELATIONSHIP CAPITAL



Clover Mama Afrika

Good corporate citizenship

Clover prides itself on conducting business by taking into account our legal, ethical and economic responsibilities. While it is our goal to increase profitability for our shareholders, we also aim to create higher standards of living and quality of life in the communities in which we operate.

Corporate social and community investment Clover Mama Afrika Trust was started 13 years ago and has since established a reputation for being one of the country's most innovative, effective and sustainable corporate investment programmes, bringing tangible benefits to the people it aims to empower.

The Clover Mama Afrika initiative has set out to restore some of the best aspects of African tradition into modern life, such as caring for one another, passing on skills and protecting the young, the weak, the aged as well as HIV/AIDS victims. Today, the Clover Mama Afrika project places a strong emphasis on assisting people in disadvantaged communities to empower them with the skills to establish self-sustaining livelihoods and become contributing members of their communities and to society at large.

At the heart of the programme are the carefully chosen "mamas" who already act as pillars of strength in their communities. The mamas are incredibly special ladies who already make a difference in the lives of the people around them and have earned their respective communities respect. They want to be empowered with skills that can generate an income for themselves and teach others to become self-sustaining too. The programme sees that they are trained in a variety of essential skills that can then be passed on to other community members. Cooking, baking, sewing, quilting, mosaic, egg laying project, welding, hairdressing and food gardening are just some of the training they receive and significantly, they are also presented with the necessary tools, equipment and infrastructure to create an income for their communities on the back of their newly acquired skills. Clover Mama Afrika has appointed 43 Mamas over a period of 13 years but unfortunately has lost 3 Mamas due to illness. Currently, the operating Clover Mama Afrikas collectively care for over 15 500 children and more than 2 500 elderly across South Africa.

Value drivers of the Clover Mama Afrika initiative

- 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. It is important to create a safe haven for all the children in the care of a Clover Mama Afrika.

- 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: Clover is of the firm belief that the best way for Clover Mama Afrika to have the greatest possible impact is through partnership and collaboration with other organisations and individuals that want to embed sustainability into the fabric of South African society.

Hugely important to the success of Clover Mama Afrika is the open-hearted attitude of the programme's corporate partners and sponsors who assist to make it meaningful for so many needy people across South Africa. Professor Elain Vlok, Clover's manager of Corporate Services who drives Clover Mama Afrika with passion, dedication and insight, believes that the programme's ongoing success is built on a generosity of spirit that is at the same time, the very essence of "Ubuntu".

Blue chip partners who contribute to the success of Clover Mama Afrika and co-fund 20% of the Trust's expenses include:

- HCI Foundation;
- HFR Transport;
- Eqstra Flexi Fleet; and
- MiX Telematics.

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 full allocation of available points under the Socio-Economic Development element of the B-BBEE balanced scorecard.

As a respected JSE-listed company with a century-long history of serving farmers and the public through a wide range of world-class ‘Way Better’ dairy and beverage products, Clover is committed to maintaining Clover Mama Afrika’s status as a corporate social investment programme that makes a real difference. In line with its commitment to the programme, Clover also ensures that Clover Mama Afrika meets the highest levels of transparency and corporate governance.

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.

Key Social Capital inputs

- 43 Mamas appointed to care for children and the elderly.
- Clover Mama Afrika assists communities with repairs and renovations to needed infrastructure.
- 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.
- Food gardens created to enable the selected Mamas to feed their communities.

Outputs

	2017	2016
Total beneficiaries trained	2 054	2 022
Training/Skills development	R2,99m	R2,74m
Site Improvements and communications development	R1,69m	R849 101
Total Sponsorships and Charitable givings	R4,68m	R5,19m

Outcomes

- Targeted, effective CSI (Mama Afrika) that sets a benchmark.
- Sustainable CSI projects through effective skills transfer.
- Clover’s excellent reputation, attested by numerous awards.

SUSTAINABLE IMPACT OF CLOVER MAMA AFRIKA SINCE INCEPTION

SKILLS TRAINING	Clover Mamas/ members trained beneficiaries	Operating Clover Mama Afrika centres	Skills transferred to fellow community members	Employed members earning wages/salaries as reported
Sewing	122	22	1 886	45
Bread Baking Project	715	21	2 192	105
Cooking & Baking	98	21	1 231	47
Food Gardens*	557	16	823	26
Quilting	51	14	385	9
Crochet/Knitting	28	14	599	19
Hairdressing	32	4	219	14
Pottery	1	1	20	
New Earth Pottery	6	6	35	3
Egg Farming	14	5	45	8
Flower Arrangement	42	10	621	13
Beadwork	21	12	419	25
ADDED VALUE SKILLS				
Art/Mosaic	40/7	22/11	678	19
Welding	9	5	52	
Mobile Phones/Save a Child	79/175	13/26		
Basic Admin/Finance	49	27		
TOTALS	2 054		9 961	

* Food gardens feed over 5 600 members per day



How Clover creates value **today**: Governing stakeholder relationships




In order to achieve Clover's strategic objectives as described in Clover's vision and mission, the Company relies on effectively executing all value creation processes in its business model, which are interdependent of Clover's material stakeholders' contributions. These stakeholder groups or individuals can be affected by Clover's actions and operations or their operations can materially impact on Clover's operations.

Clover actively engages with all our stakeholders throughout the year on its strategic aspirations as well as understanding stakeholder's needs, interests and perspectives. Material matters arising from stakeholder engagements are managed as part of the risk management process, in so far as the review of material risks and opportunities include stakeholders' perspectives, to ensure alignment of Clover's and its stakeholders' respective business models.





Clover's material stakeholder groups are described in table below:

From 1 July 2017, Clover restructured its milk procurement department to operate from a newly formed entity, Dairy Farmers of South Africa (DFSA), that will perform milk procurement for Clover. DFSA will also take over Clover's low margin fluid dairy product business, while Clover will still provide manufacturing, distribution and head office support services.

Stakeholder	Stakeholder needs and expectations	Stakeholder contribution to value creation	Means of engagement with stakeholders
 <p>Communities, traditional and civic society</p>	<p>Ongoing commitment to our core strategic social investment initiatives adding to the wellbeing of the community:</p> <ul style="list-style-type: none"> • Consideration of community interests. • Corporate social investment and donations. • Preferential procurement policy. • Employment opportunities across South Africa • Reduction in use of natural resources 	<p>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. Clover's continued support enforces the Clover brand, while assisting in implementation of Clover's Masakhane distribution model in the informal markets.</p>	<p>Direct interaction through various corporate social investment initiatives and environmental campaigns in various communities, such as:</p> <ul style="list-style-type: none"> • Supporting communities through Clover Mama Afrika • Clover contributed with product donations to the Kellogg's Breakfast for Better Days project • Advertisement of new job opportunities on Clovers' website • Clover recruits trainee graduates from GradX
 <p>Consumers</p>	<p>Providing high-quality and trusted products under some of the country's most admired brands in fulfilling consumers' needs:</p> <ul style="list-style-type: none"> • Research in gaining consumer insights in product categories. • GDA table (guideline daily amount) informs consumers of nutritional values in Clover products. • Cost competitiveness of products. • Food safety standards. • Developing products seen as healthy alternatives. 	<p>Loyal consumers continued support of their most admired brands and trusted products. Consumer loyalty translates to sustainable revenue and brand support</p>	<ul style="list-style-type: none"> • Promotions, above the line advertisements (TV), below the line advertisement through instore promotions, sampling etc • Tropika Island of Treasure TV show • Community based initiatives • Regular communication on all core brands via social media. • Brandseye monitoring over concerns on social media • Clover Consumer Centre dealing with complaints and enquiries • Membership held at the Consumer Goods Council • Sponsorships


Stakeholder	Stakeholder needs and expectations	Stakeholder contribution to value creation	Means of engagement with stakeholders
 <p>Customers/trade</p>	<p>Providing good quality products at competitive prices:</p> <ul style="list-style-type: none"> • Effective product stewardship. • Effective merchandising services • Valued partnerships to drive efficiency and continued future growth. • Provide necessary marketing brands especially when launching new product categories. • Grow retailer profitability while ensuring competitive pricing • Presence of sales representatives for ongoing support in store meeting. • Require a variety of products to cater for both formal and informal markets, considering minimum delivery quantities • Clover Masakhane focused on supporting informal market stores • Availability of products in informal markets, while store owner requires assistance for growth • Category expansion and volume growth. • Cost efficiencies/optimisation. • Ensuring optimum stock levels at retail outlets. 	<p>Extensive retailer footprint providing the basis for continued growth. Clover's brand expansion through retail expansion into informal markets and into Africa growing revenue in the medium- to long-term.</p>	<ul style="list-style-type: none"> • CSC taking orders from trade. • Participation in retailer promotional activities • Presence of sales representatives for ongoing support in store meeting • Clover Masakhane focused on supporting informal market stores
  <p>Employees/management</p>	<p>A stimulating and gratifying work environment, while offering prospects to meet career growth aspirations:</p> <ul style="list-style-type: none"> • Safe and healthy work environment. • Ongoing training and development. • Career development plan. • Open communication between employees and managers. • Transformation in line with EE Plan. • Access to HIV counselling and employee wellness programmes. • Competitive remuneration 	<p>Employees acting in accordance with Clover's values of respect, integrity, fairness and responsibility form the foundation of our business. By providing timely business information and strategic information, Clover can put its strategy into action for sustainable returns.</p>	<ul style="list-style-type: none"> • CE briefs and conferences on material strategic direction • Corporate bi-monthly newsletter (<i>In Clover</i>), • Training programmes, learnerships, apprenticeships, interns and workplace skills programmes • Formal Performance reviews against agreed objectives • Intranet has relevant communication, information and document storage such as policy and procedures

How Clover creates value **today**: Governing stakeholder relationships (continued)

Stakeholder	Stakeholder needs and expectations	Stakeholder contribution to value creation	Means of engagement with stakeholders
 <p>Government and regulatory authorities</p>	<p>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:</p> <ul style="list-style-type: none"> • Increased contribution to the South African economy, including job creation and youth development. • Good corporate citizenship. • Timeous payment of taxes. • Empowerment, transformation and adherence to the relevant B-BBEE Codes and newly formed B-BBEE Commission's requirement. • Reduction of energy and water consumption. • Disclosure and management of carbon emissions. • Regulatory compliance to material legislation, such as competition legislation. • Submission of B-BBEE certificate to the B-BBEE commission. • Provide input on policy changes in the agricultural sector and food security. 	<p>Government gives us our license to operate and provides the enabling regulatory framework.</p>	<p>Personal meetings, written and verbal communication, through business organisations, Parliamentary portfolio committees.</p> <p>Disclosure and management of carbon emissions.</p> <p>Submission of B-BBEE certificate to the B-BBEE commission.</p> <p>Participate in the DTI's Jobs Fund project, stimulating Job creation in the "Masakhane Together we grow" project.</p>
 <p>Insurers</p>	<p>Open and transparent communication enabling insurers to assess risk appropriately:</p> <ul style="list-style-type: none"> • Proactively ensure that sites conform to legislative requirements and best practice fire safety requirements. 	<p>Through pro-active risk management practices, ensure Clover has adequate insurance cover.</p> <p>For all potential insurable loss events that would be material.</p>	<p>Site surveys; annual renewal of insurance policies.</p>
  <p>Media</p>	<p>Good Corporate Citizenship:</p> <ul style="list-style-type: none"> • Transparent and responsible reporting. 	<p>The media contributes in sustaining our brand reputation and increase awareness on new products, community development programmes and changes in our business strategy.</p>	<p>Timeous media statements and briefings</p> <p>Keep media informed on key product offerings and new product launches</p>

Stakeholder	Stakeholder needs and expectations	Stakeholder contribution to value creation	Means of engagement with stakeholders
<p>Milk Producers (DFSA*)</p>	<p>A stable market for milk produced for delivery to Clover:</p> <ul style="list-style-type: none"> • Large fluctuation in milk prices. • Increases in farm overhead costs. • Land reform. 	<p>Milk producers provide quality raw milk used in manufacturing of our dairy products.</p>	<ul style="list-style-type: none"> • Regular Circulars and group meetings with producers • Clover producer forums.
<p>Principals</p>	<p>Timely delivery of ordered product with professional in store merchandising:</p> <ul style="list-style-type: none"> • Clover not meeting the agreed upon service levels in distribution and merchandising activities. 	<p>Participation in growing the combined distribution footprint in retailers while achieving economies of scale and reducing costs in the supply chain.</p>	<ul style="list-style-type: none"> • Contract and service level agreements, • Transactional information integrated via respective ERP systems. • Regular sales conferences enabling marketing plans and effective planned promotional activities.
<p>Shareholders, investors and analysts (Refer to Report on Governance, Risk and Compliance for more detail)</p>	<p>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:</p> <ul style="list-style-type: none"> • Delivering consistently superior financial results for sustainable growth given economic constraints. • Leadership and strategic direction. • Strategy to ensure sustained financial performance. • Sound Corporate governance processes and ethics embedded. • Responsible investment for future growth by seizing strategic opportunities. • Effective risk management process over risks and opportunities. 	<p>Investors provide the financial capital necessary to sustain growth. Shareholders are encouraged to attend Clover's AGM to vote on resolutions and to discuss relevant issues with the directors and management.</p>	<p>Investor presentations and road shows, circulars to shareholders, Integrated Annual Report, Annual General Meeting, press releases, announcements and notifications through SENS, Clover website and site visits.</p>

How Clover creates value **today**: Governing stakeholder relationships (continued)

Stakeholder	Stakeholder needs and expectations	Stakeholder contribution to value creation	Means of engagement with stakeholders
 <p>Suppliers and service provider</p>	<p>Conducting business in a transparent manner that is mutually beneficial and sustainable:</p> <ul style="list-style-type: none"> • Timely payment and fair terms • Effectiveness of planned procure-to-pay process. • Preferential procurement. • Efficiency with imports. 	<p>Our suppliers provide us with good quality raw materials and services that enable us to produce quality products for our consumers, enforcing the Clover brand. Supporting Broadbased black economic empowerment compliance (B-BBEE)</p>	<p>Supplier meetings, site visits, performance evaluation and audits, business association meetings.</p>
 <p>Trade unions</p>	<p>Positive work relationships in dealing with matters sensibly during negotiation processes:</p> <ul style="list-style-type: none"> • Provision of competitive remuneration packages and safe working conditions. 	<p>Organised labour to engage Clover in a positive manner on matters affecting their members as well as other matters of mutual interest.</p>	<p>Regular meetings with trade unions and collective bargaining forums.</p>

Broad-Based Black Economic Empowerment (B-BBEE)

Clover supports the transformation of South Africa's economy and we regularly review our overall business strategy in the context of these principles.

Clover's most recent B-BBEE verification was performed by Empowerlogic (Pty) Ltd, a verification agency approved by the South African National Accreditation System (SANAS). Based on our June 2015/16 year-end, Clover was assessed against the current AgriBEE Sector Codes for the fourth time. Clover's overall score was 66.55, which retained our status as a Level 4 B-BBEE contributor.

The extent to which the AgriBEE Sector Codes will be modified in accordance with the newly amended generic B-BBEE Codes, which became effective as from 1 May 2015, is uncertain. All sector codes were intended to be aligned to the amended generic B-BBEE Codes by 31 October 2015, but no feedback has yet been received from the Department of Agriculture, Forestry and Fisheries.

Once the amended AgriBEE Sector Codes have been finalised, Clover will re-assess its B-BBEE strategy and make the necessary adjustments.

Annual Compliance Report

The Annual Compliance Report prepared pursuant to section 13G(2) of the B-BBEE Amendment Act stipulates that all public-listed companies on the JSE must provide the B-BBEE Commission, in such manner as may be prescribed, a report of their compliance with Broad-Based Black Economic Empowerment, as specified under section 12(3).

Clover's current B-BBEE certificate is based on its financial year ending 30 June 2016 and was issued on 19 May 2017, expiring on 18 May 2018. Clover and its Subsidiaries' consolidated current B-BBEE certificate as well as information required to be reported in the Compliance Report (Form B-BBEE 1) follows below. The Subsidiaries include the following companies:

- Clover Industries Limited
- Clover Fonterra Ingredients (Pty) Ltd
- Clover Frankies (Pty) Ltd
- Clover Good Hope (Pty) Ltd
- Clover Milkyway (Pty) Ltd
- Clover SA (Pty) Ltd
- Clover Waters (Pty) Ltd
- The Real Beverages Company (Pty) Ltd

To align Clover's B-BBEE reporting period with that of its financial year-end (June) and to meet the reporting deadlines implemented by the B-BBEE Commission going forward, Clover will undergo another B-BBEE verification shortly after its 30 June 2017 financial year-end, and formally report its compliance report (Form B-BBEE) to the BEE Commission within allowed timelines.



How Clover creates value **today**: Governing stakeholder relationships (continued)

Compliance Report

Details of Entity	
Name of Entity	Clover Industries Limited
Registration number	2003/030429/06
Physical address	200 Constantia Drive, Constantia Kloof, Roodepoort, 1709
Telephone number	011 471 1400
Industry/Sector	Agriculture
Email Address	darren.chetty@clover.co.za
Name of verification agency	Empowerlogic (Pty) Ltd
Name or technical signatory	E Ackroyd CA(SA)
Clover's Accounting Officer	Elton Bosch

2016 BEE Scorecard

B-BBEE Element	2016
Ownership	10,06
Management Control	7,00
Skills Development	15,30
Enterprise and Supplier Development	10,00
Socio-Economic Development	11,00
Total score	66,55
Priority Elements Achieved	N/A
Empowering Supplier Status	N/A
Final B-BBEE Status Level	Level 4

Clover's and its Subsidiary's consolidated current B-BBEE Certificate

EMPOWERLOGIC
Your Logical Empowerment Solution

Broad Based Black Economic Empowerment Verification Certificate
A Consolidated Verification Certificate issued to
Clover Industries Limited and Subsidiaries
Level 4 Contributor

Measured Entity (Full List of Entities Listed on Page 2 of Certificate)

Company Name	Clover Industries Limited and Subsidiaries
Registration Number	2003/030429/06
VAT Number	4090103187
Address	Clover Park 200 Constantia Drive Constantia Kloof Roodepoort, 1709

BEE Status

B-BBEE Status Level	Level 4
Element Points Obtained	EO: 10,06 points; MC: 7 points; EE: 6,79 points; SD: 15,3 points; PP: 12,4 points; EQ: 10 points; SED: 11 points
Black Ownership	13,70% Black Ownership; 3,84% Black Woman Ownership
Value Adding Vendor	Nil
BEE Procurement Recognition	100%
Issue Date	18/05/2017
Expiry Date	18/05/2018
Certificate Number	ELC6970-20ENBBAG replacing ELC6970GENBBAG
Version	Final - Revised 12/6/2017
Applicable Scorecard	Agriculture - Generic
Applicable B-BBEE Codes	Agriculture Sector Codes Gazetted on 28 December 2012

BEE Procurement Recognition Levels		
Level	Qualification	%
1	≥ 100 Points	100%
2	≥ 80 and < 100	100%
3	≥ 70 and < 80	100%
4	≥ 60 and < 70	100%
5	≥ 50 and < 60	80%
6	≥ 40 and < 50	80%
7	≥ 30 and < 40	80%
8	≥ 20 and < 30	10%
Non-Compliant < 20 0%		

EmpowerLogic (Pty) Ltd
Reg. No.: 1985/000529/07
B-BBEE Verification Agency
Per E Ackroyd CA(SA)
Member - Verification Committee

EmpowerLogic (Pty) Ltd
Tel: 080 111 4000
Fax: 080 505 1300
www.empowerlogic.co.za

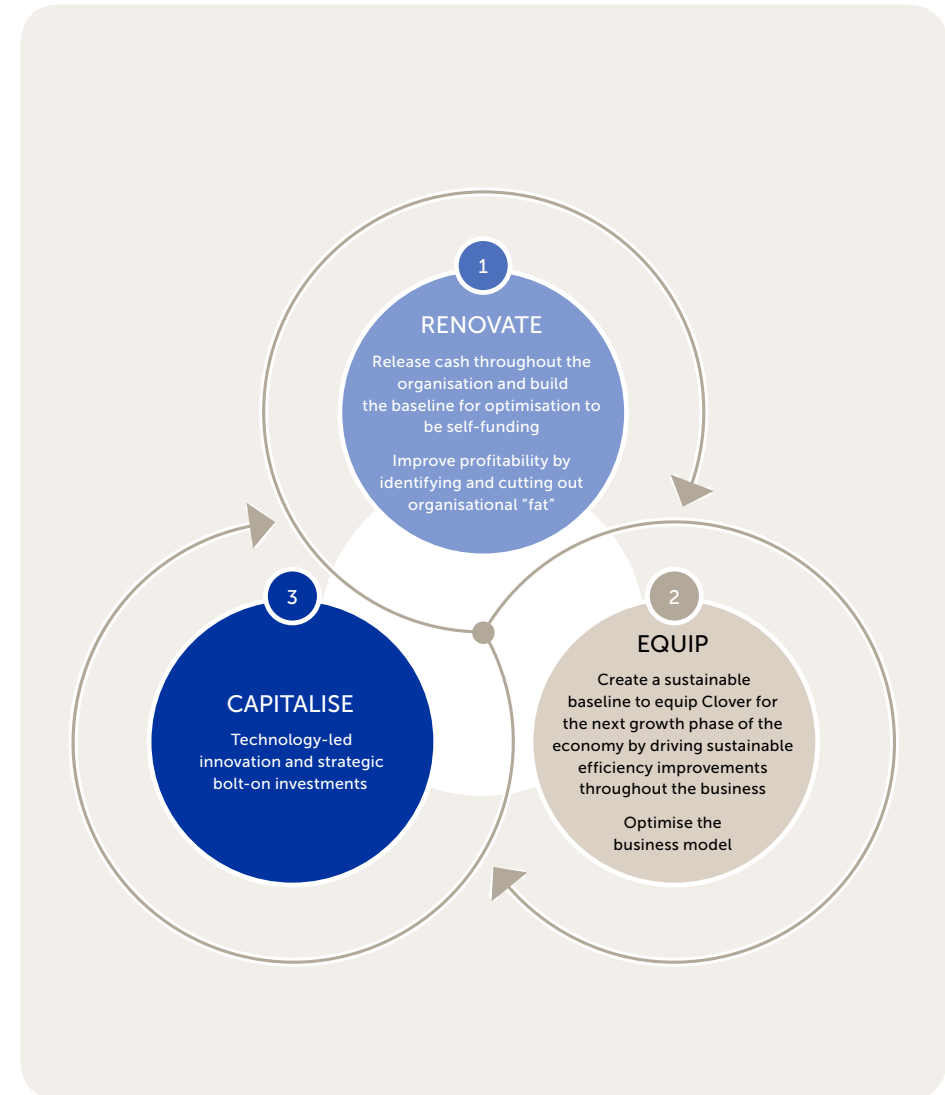
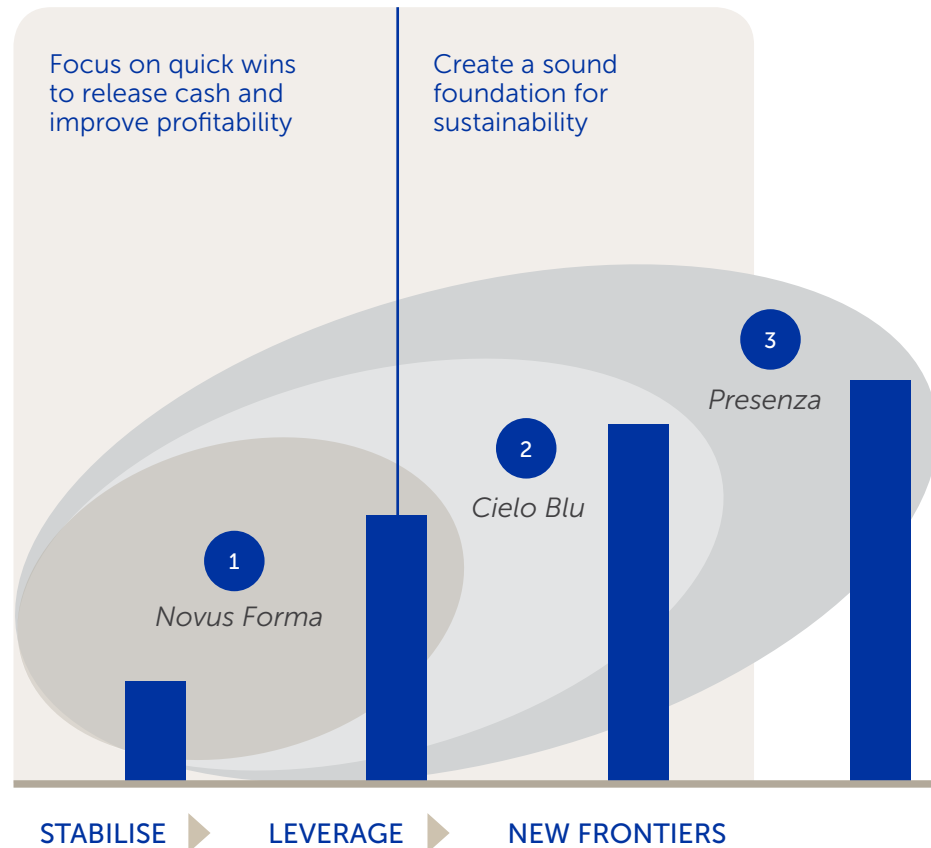
SANAS Accredited **fsanas** **BSIAS18**

This certificate is the result of an independent and impartial verification of the B-BBEE status of the measured entity measured against the Codes of Good Practice on Broad Based Black Economic Empowerment. The objective of our verification is to verify the validity and accuracy of the B-BBEE status represented by the measured entity. EmpowerLogic is not responsible for ensuring completeness of information provided to support the B-BBEE status. This certificate must be validated at www.bbbbee.com/verify on its respective business before release is placed. EmpowerLogic does not take responsibility for certificates that have not been validated.

HOW CLOVER SUSTAINS VALUE FOR TOMORROW

THE STORY OF CLOVER

Journey to new horizons





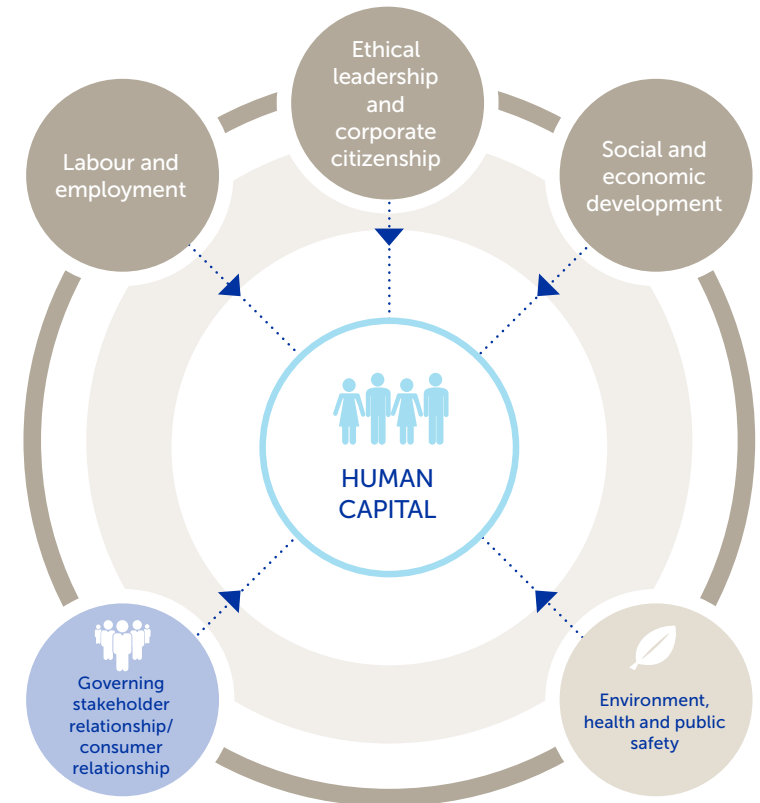
How Clover sustains value for **tomorrow**: Human Capital



**HUMAN
CAPITAL**



Regulation 43 of Companies Act of 2008



Strategic Focus Areas:

- Optimise the performance culture in the business
- Develop and grow all employees
- Design the employee experience for engagement, productivity and growth
- Create a competent and diverse workforce
- Establish a pleasant, healthy and motivating work climate.



Summary as at 30 June 2017 – All SA Companies

AFFIRMATIVE ACTION MEASURES AND OBJECTIVES	Achieved 30 June 2016	Achieved 30 June 2017	2017/2018 Objectives
Improve representation as follows:	%	%	%
Black people on F Band	14,29	16,67	16,67
Black people on E Band	12,5	0,00	16,67
Black women on E Band	6,25	0,00	5,56
Black people on C5 – D5 Band	25,78	28,40	28,09
Black women on C5 – D5 Band	7,88	9,15	8,96
Black people on C1 – C4 Band	60,98	64,91	63,23
Black women on C1 – C4 Band	16,07	20,17	16,72
Black people on B Band	95,45	94,56	93,78
Black women on B Band	23,73	24,10	22,39
Black people on A Band	98,66	98,55	99,06
Black women on A Band	9,98	9,90	9,35
Disabled people	0,57	0,59	0,57

*The reason for some of the objectives being slightly lower than those achieved are due to more employment opportunities that became available than what was anticipated at the time of the preparation of the company's employment equity plan (e.g. The recent growth in Masakhane)

Strategic Objectives	Planned actions
Legislative compliance	Modify systems/procedures to ensure compliance with POPI legislation
Attraction and retention	Implement specific initiatives to retain top talent. Introduce more focused attention on salary benchmarking
Change of labour landscape	Implement strategy for managing multi-union scenario. Implement plan to enhance union relationships and mitigate business risk
Productivity improvement	Provide analytics to improve business decisions. Address the issue of absenteeism management
Alignment of employees	Strengthen reporting capability to improve performance management process. Improve overall communication with personnel at all levels
Learning and development	Implement learning management system. Formalise approach to trainees, interns and bursary allocations. Develop specific leadership, management and technical skills
Workforce planning	Implement onboarding, recruitment, talent and succession planning system. Identify suitable assessment tools for selection purposes. Assist Distribution with right-sizing. Assist the business to bed down all HR aspects of Masakhane
Employment equity	Implement Employment Equity plan and reach numerical targets
Innovation and technology	Investigate options to communicate with employees who don't have email access
Mergers and acquisitions	Assist business with smooth transition of personnel as and when required

How Clover sustains value for **tomorrow**: Natural Capital



NATURAL
CAPITAL



South Africa faces significant water, sanitation and electricity constraints at present, which require heavy investment in natural infrastructure from government and the private sector to rectify.

Tariffs will inevitably increase and we anticipate that increases will exceed the average rate of inflation for an extended period of time. Clover has therefore embarked on a journey of continuous efficiency improvements to reduce resource consumption. These efficiency improvements will be self-financing through reduced usage and will contribute to Clover's financial sustainability in the medium to long term.

Clover intends partnering with specialist service providers to ensure economies of scale through new technologies that will make Clover the efficiency leader in our market segments. Projected efficiencies include eliminating waste to landfill and effluent initiatives, among other environmental impacts.

Clover makes use of available grants and tax allowances to implement "Green technologies".

Clover's end goal is to create long term and sustainable value through good corporate citizenship.



Clover's Environmental Policy

Objective	Action
Continuously improve environmental performance.	Implement and maintain an effective environmental management system (EMS). Provide a structured framework for continual improvement. Identify and manage progress against set targets per identified aspects.
Educate staff on the EMS and equip them with the necessary skills to implement Clover's environmental 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 Clover's milk collection and production environments, with product quality being tested by accredited laboratories. Product quality is also monitored through feedback from Clover's Consumer Centre, which handles general enquiries, complaints and compliments.
Reduce carbon footprint.	Quantify carbon footprint from operations and key elements of the supply chain. Set annual targets for reducing it.
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 on the environment.	Set targets for reducing waste to landfill and monitor results.
Minimise product returns and the impact thereof on the environment.	Implement programmes to continuously reduce returns.
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 help develop 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 environments.

How Clover sustains value for **tomorrow**: Manufactured Capital



Clovers recent investments in upgrading our manufactured capital forms the beachhead to building long-term stakeholder value. Future value creation through manufactured capital is anticipated as follows:

FUTURE VALUE CREATION

Commercial

Clover's growth will be driven by improving structures and implementing new route-to-market methods, while building up support systems and processes. Our Masakhane project is a major driver of this process:

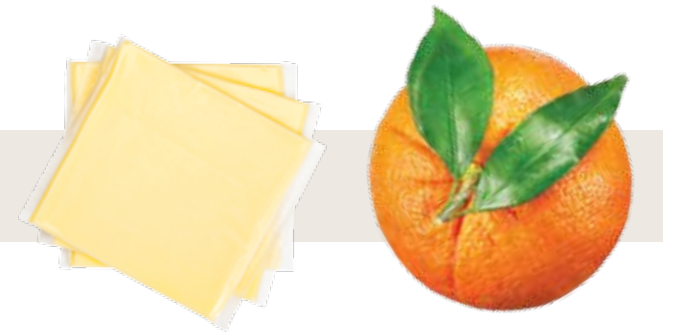
- Acquire new customers
- Retain and grow current customers
- Identify and enter untouched markets
- Acquire and invest in higher margin products
- Focus on all segments of the market, both formal and informal.

Supply chain and procurement

Improved alignment between Operations, Commercial and Marketing will be achieved through enhanced communication and visibility planning.

State-of-the-art planning software is currently being implemented to replace the current legacy planning tools to:

- Improve pricing strategy with suppliers and other role-players
- Integrate supply chain modelling
- Integrate business planning
- Improve supplier collaboration on procurement
- Development of suppliers to limit the risk of milk shortages
- Improve Clover's B-BBEE status and promote job creation
- Collaborate with suppliers on milk procurement – to support export initiatives and promote growth in national dairy industry.



Distribution

Clover leverages our industry leading distribution system to provide sales and distribution services to a number of multinational companies with the objective of:

- Optimising the distribution network through real time monitoring of execution
- Improving distribution mobility by delivering a paperless system to promote streamlined product returns and driver reconciliations
- Distribution retailer centralisation
- Expanding basket of principal products through strategic partnership focus
- Collaborating with principal customers and retailers.

Production

New products are developed by Clover's in-house Product Innovation and Technology Department (PIT), or through joint ventures. PIT constantly seeks to improve Clover's current product offerings by revising product formulations and packaging, with an emphasis on healthier and "greener" alternatives

- Improving asset utilisation through consolidation
- Promoting industry development, export opportunities and job creation
- Reducing the carbon footprint
- Increase capacity utilisation.

How Clover sustains value for **tomorrow**: Intellectual Capital



INTELLECTUAL
CAPITAL



FUTURE VALUE CREATION

To optimise the brand portfolio

The Company continuously and actively seeks to

- Acquire complimentary brands that can be added to the Clover stable
- Develop new brands able to add synergistic value to the existing portfolio and distribution network
- Evolve and improve existing brands in light of changing consumer profiles and regulation such as the implementation of the proposed sugar tax

Commercial sales

Clover's commercial sales department is mandated to stay ahead of changes in existing markets and to enter new markets

and product categories through continuous development and evolution.

From Clover's perspective, vertical growth is essential to its sustainability. In this regard the Company has progressed well in assimilating customer insights, analytics and research. Our sales teams have introduced new concepts in selling, in which consumers are attracted to bigger basket buying and reward programmes that ensure sales right through until till point.

Clover's horizontal growth will be driven by improving structures and implementing new route-to-market methods, while building up support systems and processes. Our Masakhane project is a major driver of this process.

How Clover sustains value for **tomorrow**: Intellectual Capital (continued)

FUTURE VALUE

Collaboration with IBM

Collaboration is critical to maintaining close working relationships with our retailer partners. Clover embarked on an initiative with IBM, called Project Kolabo that enables Clover to make use of big data analytics to provide insights into market dynamics, consumption trends and the needs of our retailers, allowing for more informed decisions across all levels of management (More information on Kalobo is available under Information Systems below).

Product Innovation and Technology

As the owner of numerous household brands, Clover needs to continuously refine its marketing strategy. We do this by acquiring or developing new value added products for integration into our brand portfolios. New products are developed by Clover's in-house Product Innovation and Technology Department (PIT), or through joint ventures. PIT constantly seeks to improve Clover's current product offerings by revising product formulations and packaging, with an emphasis on "greener" alternatives. Ideally, these projects should also result in cost savings. PIT's project engineering section oversees the construction of new factories and production lines.

Information Systems

Clover's in-house Information Technology (IT) Department provides the digital backbone for all our management systems. Clover's IT governance and its independent assurance is outlined in the Governance, Risk and Compliance Report, on page 68.

Clover's Commercial Sales division and our IT department are working with IBM to implement an analytical platform for customer collaboration and data analytics. Once operational, this platform will be expanded to other business areas to provide improved analytics and business insights. In manufacturing, for example, improved analytics around machine maintenance can result in a major reduction in scrap, downtime and related costs.

We could also align the system to Clover's HR and access control systems to generate savings from overtime management.

Clover is examining mobile solutions to automate and/or improve many routine operations. Smartphone and tablet applications could speed up administrative processes such as credit notes, overtime, driver reconciliations and delivery turn-around times.

Clover is presently implementing an integrated Supply Chain Planning System to ensure that sales, production and logistics planning activities are synchronised and optimised for:

- improved order fulfilment
- reduced finished goods inventory levels and holding costs
- reduced raw material and packaging inventories
- less waste
- improved production throughput.

This system will enable improved tactical and forward scenario planning to make Clover more responsive to market dynamics, while also increasing our demand forecasting accuracy.

Clover continuously evaluates changing trends in technology to identify systems that can generate maximum value to our business, customers and shareholders. We are examining the adoption of cloud services, big data, collaboration, mobility and analytics for improving process efficiencies and enhancing customer experience. Our business is all about partnerships, therefore technologies should be introduced that will enhance and deepen these relationships.



How Clover sustains value for **tomorrow**: Social and Relationship Capital



SOCIAL AND RELATIONSHIP CAPITAL



Started in 2004
with 4 Mamas caring for 1500 vulnerable children

Trained 1864
individuals in 15 different skills between 2005 and 2016

No jobs were created until the late 2005
but by 2016 there were 362 employed between
30 operating Mamas

Clover Mama Afrika received
19 prestigious awards

YESTERDAY

CURRENT

43 Clover Mamas
appointed in all 9 provinces caring for more than
15,500 vulnerable children
and over 2500 elderly

Trained 2054
individuals who in turned transferred their skills to over
9,600 fellow members

There is never less than 328
permanently employed between 25 operating Mamas

Clover Mama Afrika have received
21 prestigious awards

TODAY

FUTURE

To have more than 50
Clover Mama Afrikas countrywide

More regular training
in selected skill that the Mama excels in.

A bigger budget
in order to spread the good work

To continue supporting
all deserving Clover Mama Afrika to grow
from strength to strength so that they
can in turn **alleviate poverty** within their
respective communities

TOMORROW

How Clover sustains value for **tomorrow**: Social and Relationship Capital (continued)

Compliance with consumer relationship legislation

Regulation 43(5)(a)(iv) of the Companies Act (Act No 71 of 2008) requires companies to monitor their consumer relationship activities. These activities include Clover's advertising, public relations and compliance with consumer protection laws.

We manage our consumer relations through the Clover Consumer Centre (CCC), which deals with complaints and enquiries. Clover deploys expert consultants to manage queries and protect our brands, while ensuring compliance with the Consumer Protection Act.

During the year under review, Clover received 9 168 complaints of which 1 901 were accepted and 7 267 were rejected due consumers being at fault in handling products or products being mishandled at distribution or store level.

Type of call	Description
Priority 1	Critical calls 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 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.
Priority 3	Client wants to speak with manager 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 for attention.
Priority 4	Completed by consultants Complaints are attended to by the consultant with the information at hand and no further escalation of the complaint/incident is necessary.
Priority 5	Completed by consultants These are complaints that are received through social media.

Public and Investor relations

Clover's Corporate Services department is responsible for public relations. No Clover employee may comment or conduct any interviews with the media on behalf of Clover without the express permission of Marcelo Palmeiro, who is assisted by Company Secretary Jacques van Heerden and Prof Elain Vlok (Manager: Corporate Services) when required. With regards to Investor Relations, this function is delegated to Johann Vorster (Chief Executive), Elton Bosch (Chief Financial Officer) and Jacques van Heerden (Company Secretary), who are responsible for all investor communications. They are assisted by an independent and professional agency

Compliance with Consumer Protection Laws

Clover has taken proactive steps to be fully prepared for the application of the Consumer Protection Act (CPA). High-level induction programmes to key Clover individuals regarding the potential effect of the application of the CPA are ongoing. The process of establishing a CPA Centre of Excellence, which will enable Clover to maintain its commitment towards compliance with laws and regulations, is underway. The marketing department provides the Social and Ethics Committee with regular reports on its activities, enabling the Social and Ethics Committee to monitor compliance with the CPA. Furthermore, logs are maintained for any promotional and trade coupon promotions in line with the CPA. The Company Secretary together with the Group Manager of Product Innovation and Technology are responsible for the annual review of the company's compliance with regards to the following acts:

- the Consumer Protection Act
- Food stuff, Cosmetics and Disinfectants Act
- other labelling legislation
- various other acts that impact our stakeholders.

Please refer to the Report on Governance, Risk and Compliance where this has been discussed in detail on pages 69 to 71.

Financial capital

For information on the financial capital, refer to the Chief Financial Officer's report on page 42 and the Annual Financial Statements that follow.

Combined assurance

Although King III requires that sustainability reporting be independently assured, Clover has obtained partial assurance over the six capitals to the extent disclosed in the combined assurance framework in the table on the right. Clover intends enhancing our qualitative and quantitative information as systems are progressively bedded down. All material risks considering the sustainability of Clover's business model and in complying with Regulation 43 of the Companies Act, as well as King III, are incorporated into Clover's risk universe. These are monitored under Clover's risk management process as described more comprehensively in the Governance section.

Furthermore, legal compliance with Regulation 43 of the Act is described fully under the Six Capitals 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. During the year under review, the Social and Ethics Committee monitored and addressed all lines of defence as depicted on the table on page 142. In the opinion of the Social and Ethics Committee, based on the information provided to it, the statements made in our report, fairly reflect Clover's standing.

Report of the social and ethics committee

The Social and Ethics Committee ("Committee") is a committee of the Board of Clover. Its membership and functions are set out in the report of Governance Risk and Compliance on page 61. As required by the Companies

Act of 2008, the Committee has reviewed the information reported by management in the Report on the Six Capitals. In the opinion of the Committee the report fairly sets out Clover's standing in terms of the matters specified in regulation 43 to the Companies Act 2008 in respect of the year ended 30 June 2017 and will be presented to shareholders at the forthcoming Annual General Meeting.









Ms Neo Mokhesi

Chairperson: Social and Ethics Committee

11 September 2017

Combined assurance on six capitals

On material inherent risks, dependant on effective control measures in keeping residual risks at acceptable levels, Clover annually revises its combined assurance plan over material risks to gain assurance from Internal and external identified assurance providers in accordance with the four levels of defence, as described below:

Capitals	Internal Audit and Other Independent Assurance Providers: Clover's 3rd line of defence
 Human Capital	<ul style="list-style-type: none"> • Clover was assessed as a Level 4 contributor in the last B-BBEE assessment performed by EmpowerLogic in respect of Clover's June 2016 year-end. • Internal audit performed a Time and Attendance Review on Clover's overtime hours.
 Natural Capital	<ul style="list-style-type: none"> • Internal audit conducted a Sustainability and Advisory Review Health and Safety statistics published in 6 capitals and advice on tax implications on carbon reduction initiatives. • External Safety, Health and Environmental legal compliance audits were performed at production and some distribution sites by SGS. These audits are performed every three years.
 Manufactured Capital	<ul style="list-style-type: none"> • Internal safety audits were performed by Clover personnel and Makrosafe, covering all Clover distribution sites. • Internal Audit performed independent reviews on Production Inventory Management and the Production Process. • External audits were performed on assets. • Clover adopted FSSC 22000 which is the latest international standard for Food Safety and Quality Management systems. All factories are in transitional phase from ISO 22000 to FSSC 22000. Annual certification is performed by SGS • Clover engaged in independent third party audits performed by customers such as Woolworths, Kraft, Nestle, Unilever and others. These audits are performed against international food safety standards. • Clover was subject to SEDEX audits from our clients on an <i>ad hoc</i> basis on selected factories. • Marsh performed fire risk surveys over a three-year cycle of all Clover material sites. • All South African Clover factories are annually certified by SGS on HACCP standards. • SGS performed SIIR certification on behalf of the Botswana Government on all factories exporting to Botswana. • Property valuations are performed every three years by The Property Partnership. Replacement values from these valuations are used to adequately insure sites.
 Intellectual Capital	<ul style="list-style-type: none"> • Internal audit performed a Rebate and Co-op agreement review on Clover's customer contracts relating to trading terms. • Internal audit performed advisory review over Cyber Security. • Internal audit provided independent assurance over the Risk Management Function in the June 2016 year end. <hr/> <ul style="list-style-type: none"> • Clover brands have won numerous accolades, confirming our status as a trusted household name. • Clover Fresh Milk also achieved Kasi Star Brand status in the 2016 and 2017 surveys (the same accolades as Icon Brands, but survey conducted only in South African Townships). • Clover's portfolio of trademarks and patents are managed by Adams and Adams attorneys.
 Social and Relationship Capital	<ul style="list-style-type: none"> • Clover Mama Afrika positioned itself as a sustainable and effective CSI project, as evident from prestigious awards received, with the PMR Diamond Arrow award most recently received in 2017. • Clover received a full allocation of points on our Social Economic Development as assessed in respect of Clover's June 2016 year-end by EmpowerLogic. • Clover was the winner of South Africa RepTrak® 2017 most reputable company in South Africa award
 Financial Capital	<ul style="list-style-type: none"> • Internal Auditors performed various financial control audits and provided a statement on material financial controls and governance as required by King III. • Clover received an unqualified audit opinion by external auditors. • External auditors assessed management's representation over material internal financial controls.

1ST LINE OF DEFENCE

- Management

2ND LINE OF DEFENCE

- Policies and procedures
- Internal controls
- Risk management
- Legal
- Regulatory compliance
- Management Executive Committee

3RD LINE OF DEFENCE

- Internal Audit
- External Audit
- Other external assurance providers

4TH LINE OF DEFENCE

- Board
- Board Committees

