

CORPORATE GOVERNANCE

Creating value for all stakeholders is a priority for Pioneer Foods.

The Group's corporate governance procedures are controlled and executed according to a structured and formal system. This involves creating a balance in the course of doing business among the expectations of all stakeholders, including:

- those who are affected by the business and/or its operations;
- those who could potentially influence the business; and
- those who have an interest in the Group's actions and how these are performed.

The board of directors ("the Board") is the custodian of corporate governance. It is committed to ensuring, collectively and individually, that sound governance principles are fully integrated into all aspects of the business.

CORPORATE GOVERNANCE

Non-executive directors



Executive directors

1. ZL (KK) COMBI (62)

Diploma in Public Relations
Chairperson of the Board, independent non-executive director, member of human capital committee and chairperson of the nomination committee

Mr Combi is the executive chairman of Thembeke Capital Ltd. He holds a diploma in public relations and was awarded the EY South African of the Year award in 2000, as well as the World Entrepreneur of the Year in Managing Change award in 2001. Mr Combi is a member of the Institute of Directors and serves on various listed and unlisted companies' boards, including PSG Group, IQuad Group and the JSE, as well as the Absa Bank Advisory Committee (Western Cape).

Director since 29 March 2010.

2. NORMAN CELLIERS (41)

BEng (Civil) (Stell), MBA (Oxford)

Non-executive director, member of social and ethics committee

Mr Celliers' professional experience includes engineering, management consulting and private equity in South Africa and abroad. Currently he is the CEO of Zeder Investments Ltd.

Director since 1 October 2012.

3. MM (THYS) DU TOIT (55)

BSc, MBA
Non-executive director, chairman of human capital committee

Mr du Toit has been actively involved in financial and investment markets for 29 years. He was a founding member of Coronation Fund Managers and CEO for 10 years. Mr du Toit currently runs Rootstock Investment Management and is a director of companies, three of which are listed on the JSE.

Director since 29 March 2010.

4. PROF ASM (MOHAMMAD) KARAAN (46)

BSc Agric, BSc Agric (Hons), MSc Agric, PhD
Independent non-executive director, chairman of social and ethics committee

Prof Karaan joined the Development Bank of Southern Africa as an economist and later returned to Stellenbosch to join the Rural Foundation as Head of Research. In 1997, he joined the University of Stellenbosch as a lecturer in Agricultural Economics. In October 2008, he became Dean of the Faculty of Agri Sciences at Stellenbosch University. He is a member of the National Planning Commission and holds other directorships in the agribusiness sector.

Director since 29 March 2010.

5. NS (NONHLANHLA) MJOLI-MNCUBE (55)

MA (City and Regional Planning), Executive leadership qualifications (Harvard and Wharton, USA), Postgraduate Certificate: Technology Management (Warwick, UK)
Independent non-executive director

Ms Mjoli-Mncube is a fellow of the Massachusetts Institute of Technology and Aspen Global Leadership Institute, USA. She is the former economic advisor to the Presidency and former deputy chair of the Construction Industry Development Board. Ms Mjoli-Mncube serves on the boards of several listed companies and held executive positions. She is also a recipient of the SABC Businesswoman of the Year Award and currently manages her own construction company.

Director since 25 November 2004.

6. G (GERRIT) PRETORIUS (66)

BSc, BEng, LLB, PMD
Lead independent non-executive director, member of human capital and nomination committee

Mr Pretorius is an electrical engineer by qualification and profession. He was an executive director and CEO of Reunert Ltd until retiring in August 2010 after 37 years of service. Since his retirement, he has been appointed as a non-executive director on the boards of various companies.

Director since 17 February 2012.

7. AH (ANDILE) SANGQU (48)

BCom (Acc) (Rhodes), BCompt (Hons), CTA (WSU), H Dip Tax Law (UJ), MBL (Unisa SBL), Advanced Management Programme (AMP) (INSEAD)

Independent non-executive director, chairman of audit and risk committee

Drawing on 14 years of financial management experience at some of South Africa's revered corporations, Mr Sangqu has garnered a deep understanding of the commercial market and business landscape. He has completed a High Performance Board (HPB) programme at IMD Lausanne campus in Switzerland in October 2013. Mr Sangqu served as deputy director-general (Finance and Corporate Services) of the National Department of Public Works. He currently serves as executive director of Glencore South Africa, having been the former CEO of Prodigy-Coris Asset Management and managing director of Budget Foods (Pty) Ltd.

Director since 24 February 2006.

8. LP (LAMBERT) RETIEF (61)

BCom (Hons), CA(SA), OPM (HBS)
Independent non-executive director

Mr Retief is a qualified chartered accountant and a former director of Naspers and Zeder Investments. He is the chairperson and former CEO of the Paarl Media Group.

Director since 17 February 2012.

9. PM (PHIL) ROUX (49)

BCom (Hons), MBA
Chief Executive Officer

Mr Roux joined Pioneer Foods from Tiger Brands where he held the position of business executive: consumer brands as well as serving as an executive director. He has 25 years' experience in the fast-moving consumer goods industry in various senior positions, including that of chief operating officer: Africa for Coca Cola SABCO and as a non-executive director of Oceana Group Ltd.

Director since 1 April 2013.

10. LR (LEON) CRONJÉ (57)

BCompt (Hons), CA(SA)
Chief Financial Officer

Mr Cronjé initially joined Sasko and was the executive: finance before the merger of Sasko and Bokomo in 1997. He was appointed in the same role for Pioneer Foods before becoming a director in 1999.

Director since 28 April 1999.

CORPORATE GOVERNANCE (CONTINUED)

Executive management



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1. PHIL ROUX (49)
BCom (Hons), MBA
Chief Executive Officer

Mr Roux joined Pioneer Foods from Tiger Brands where he held the position of business executive: consumer brands as well as serving as an executive director. He has 25 years' experience in the fast-moving consumer goods industry in various senior positions, including that of chief operating officer: Africa for Coca Cola SABCO and as a non-executive director of Oceana Group Ltd.

He has been with the Group since April 2013.

2. LEON CRONJÉ (57)
BCompt (Hons), CA(SA)
Chief Financial Officer

Mr Cronjé initially joined Sasko and was the executive: finance before the merger of Sasko and Bokomo in 1997. He was appointed in the same role for Pioneer Foods before becoming a director in 1999.

He has been with the Group for 27 years.

3. TERTIUS CARSTENS (51)
BEng (Chem), MBA
Executive: Essential Foods

Mr Carstens has 20 years' experience within the Group, before and after the merger, in managerial and executive capacities. He is the executive responsible for the Essential Foods division.

He has been with the Group for 20 years.

4. MKUSELI DLIKILILI (50)
BAdmin (Hons), MA
Executive: Human Resources

Mr Dlikilili held various HR roles in the utilities, beverages and chemical sectors before joining the Group in 2001.

Subsequent to year-end, Mr Dlikilili left the Group on 31 October 2014.

5. THUSHEN GOVENDER (38)
BCom (Hons), CA(SA), MBA (UK)
Executive: International, Joint Ventures, Mergers and Acquisitions

Mr Govender joined the Group in 2013 from Tiger Brands where he served as the executive: business development, strategy and investor relations. His career commenced with Deloitte South Africa and he later transferred to the United States to gain international experience. Over the past 10 years he has been involved in business development and strategy within various emerging markets while working for Stanbic Africa and Tiger Brands respectively.

He joined the Group in October 2013.

6. CINDY HESS (38)
BCom (UWC), PGDA (UCT), CA(SA)
Chief Financial Officer Designate

Ms Hess joined the Group from Sea Harvest where she held the position of financial director for seven years. She started her career at KPMG in 1999 and has since held executive positions at Woolworths and within the Transnet Group.

She joined the Group in March 2014.

7. JAY-ANN JACOBS (42)
BA LLB, LLM, Postgraduate Diploma: Environmental Law
Group Legal and Company Secretary

Ms Jacobs practised as a corporate and commercial attorney for 12 years prior to joining Pioneer Foods, four of which were as a director at Cliffe Dekker Hofmeyr Inc. in Cape Town.

She has been with the Group for four years.

8. LULU KHUMALO (48)
BA (Hons), HDE, Postgraduate Diploma in Sustainable Business
Executive: Corporate Affairs and Sustainability

Ms Khumalo started her career as an academic at Rhodes University after which she entered the corporate world in communications and CSI roles and later in transformation and corporate affairs roles, mainly in the resources industry. She joined the Group in 2010.

Subsequent to year-end, Ms Khumalo left the Group on 30 November 2014.

9. FELIX LOMBARD (45)
MCom (Tax), CA(SA)
Executive: Groceries

Mr Lombard started his career with the Group in 1995 as head of information systems at Bokomo and then Pioneer Foods. He then acted as financial manager for Sasko Maize Mills and in 1999 was promoted to executive: agri business and packaging. He is currently executive responsible for the Groceries division.

He has been with the Group for 19 years.

View online:
www.pioneerfoods.co.za

10. HENNIE LOURENS (51)
BCom (Hons), MCom, BProc
Executive: Quantum Foods

Mr Lourens joined the Group as human resources manager for Bokomo Foods in 1996 from Transnet where he was human resources manager. Before being appointed as executive: agri business in 2007, Mr Lourens was general manager for the Sasko Grain business of the Group.

He has been with the Group for 18 years.

Subsequent to year-end, Mr Lourens left the Group's service as the CEO of the unbundled and newly listed Quantum Foods.

11. ANTON VAN ZYL (45)
BEcon
Marketing Executive

Mr van Zyl joined the Pioneer Foods business in 2013 with over 20 years' multi-national FMCG experience. He has experience across multiple categories, both locally and internationally, having lived and worked in Africa, the Middle East and Russia with the likes of Unilever, Mars Inc. and the Added Value Group, in a variety of senior marketing and general management positions.

He joined the Group in November 2013.

CORPORATE GOVERNANCE (CONTINUED)

Board of directors

The Board exercises overriding control over the Group and all its subsidiaries. In line with the Board charter, which is reviewed on an annual basis, the Board is responsible for ensuring that the necessary systems and processes are in place to enable the Group to achieve its objectives in a sustainable manner. During the year under review, the Board provided guidance in the rigorous restructure undertaken by the Group, in particular the unbundling and listing of Quantum Foods.

The Board provided guidance to management in formulating the corporate strategy, setting targets and developing plans, while being mindful of the business's impact on the triple bottom line, being stakeholders (people), financial performance (profit) and the environment (planet). The Board is structured such that no individual director has unfettered powers of decision-making.

Composition and size

The Board consisted of 10 members at year-end, of whom the majority are non-executive members, including the chairman, in accordance with the requirements of the Companies Act and the Group's memorandum of incorporation ("MOI"). The Board as a whole assesses the requisite skill of its members and, when appropriate, recommends the appointment of new members in terms of the MOI, for approval by the shareholders at the following annual general meeting ("AGM").

Roles and responsibilities

The Board's terms of reference govern and regulate how the members of the Board, collectively and individually, discharge their duties according to the principles of good governance. Both the Board and the lead independent director charters are available on the website at www.pioneerfoods.co.za.

The chairman

Mr Combi was appointed to the Board in 2010 and was elected as chairman in the same year. He has since been re-elected twice as chairman of the Board. The chairman is an independent non-executive director and is the chairman of the nomination committee. In the event that the chairman is conflicted on any matter for discussion at Board meetings, he is assisted by the lead independent director, Mr Pretorius.

Non-executive directors

The Board consists of members from diverse backgrounds and careers who bring a broad spectrum of skills and expertise to the decision-making process. They provide insight, guidance and judgement on progress in terms of the corporate strategy, risk management, resource management and stakeholder relations.

In terms of the MOI, non-executive directors are appointed for a three-year period and rotate by retirement and may avail themselves for re-election.

Executive directors

The executive directors are appointed by the Board and are responsible for leading strategy, agreeing operational and capital budgets with the Board, ensuring the Group's overall financial health and effectiveness, operational results, effective risk and compliance management and effective leadership of the organisation.

Statement of compliance

In accordance with the JSE Listings Requirements, the Group has applied the all of the principles of the King III recommendations.

- Appointment of directors: Together with the MOI, which details the appointments of members of the Board, the Group has a nomination policy which outlines the procedure for such appointments which is formal and transparent. The nomination committee, chaired by Mr Combi, assists the Board in such deliberations. The nomination policy was adopted by the committee in 2012.
- Balance of power: The Board Charter evidences a clear balancing of power and authority at Board level, ensuring that no one director has unfettered powers of decision-making.
- The Chief Executive Officer and the Chairman are two separate appointed positions. Even though the Chairman is an independent non-executive director, the Board has also appointed a lead independent director. The lead independent director chairs Board meetings in the event that the Chairman is conflicted on any matter for discussion at meetings.

- The audit committee (which includes the risk committee) and the human capital committee (or remuneration committee) has been appointed since the Group was listed on the stock exchange. The mandates of all committees are available online at www.pioneerfoods.co.za. The attendance register of all committees can be found on page 86.
- The independence of each director has been confirmed by the Board and can be found on page 81.
- During the year under review, the Group had a full-time executive financial director.
- At its meeting held on 19 November 2014, the audit committee satisfied itself of the appropriateness of the expertise and experience of the financial director, including the finance function, after due debate.
- The Board adopted a different approach to the conventional manner in which to assess the company secretary. This was done via a self-assessment whereby the CEO and Chairman of the Board assessed the competence, qualifications and experience of the company secretary as a direct consequence of their daily interactions with her. The assessment was based on a questionnaire obtained from the Institute of Directors with input from Deloitte. The assessment results were circulated to the Board for information. The results delivered no areas for concern and the Board is satisfied that the company secretary is competent.
- The company secretary has an arm's length relationship with the Board and is not a director of the Board. She is, however, a director on various subsidiaries within the Group.

The full interactive King III Governance report is available online at www.pioneerfoods.co.za.

The company secretary

The company secretary, Ms Jay-Ann Jacobs, was appointed in August 2011.

All the directors have access to the company secretary, who in turn ensures that the Board procedures and applicable rules and regulations

are fully observed and implemented. The company secretary is responsible for the administration of shareholders and the direct interface between the transfer secretaries, Computershare and Strate. In addition, she is the custodian of governance with regard to compliance with the JSE Listings Requirements and insider trading. The company secretary is responsible for compliance and is the delegated information officer of the Group in terms of its Promotion of Access to Information Act ("PAIA") Manual, and is responsible for the execution of all statutory requirements applicable to those responsibilities.

As required by the JSE Listings Requirements, the Board evaluated and satisfied itself of the competence, qualifications and experience of the company secretary at the Board meeting that was held on 20 November 2014. Refer to the Statement of Compliance on the process followed for assessment.

The Board is satisfied that an arm's length relationship exists between it and the company secretary as she is not a member of the Board, nor involved in day-to-day operations of the Group other than the provision of legal services to the Group. Refer to section 3.84(j) of the Listings Requirements in this regard.

Board committees

The Board delegates some of its functional responsibilities to its committees by means of clearly defined mandates. These committees were:

- the audit and risk committee;
- the social and ethics committee;
- the human capital committee; and
- the nomination committee.

The committees report to the Board on their respective directives and deliverables on a continuous basis in accordance with their respective committee charters. An overview of the committee charters is available online at www.pioneerfoods.co.za.

CORPORATE GOVERNANCE (CONTINUED)

Board and committee meeting attendance

The table below provides a snapshot of the attendance of members serving on the Board and its subcommittees during the year under review.

	Board meetings (scheduled)	Audit and risk committee meetings	Social and ethics committee meetings	Human capital committee meetings
Board of directors	6	4	2	4
ZL Combi (Chairman)	5			3
G Pretorius (Lead independent director)	6			4
N Celliers	6		2	
LR Cronjé (Chief Financial Officer)	6	4		
MM du Toit	6			4
AE Jacobs*	2	1		
Prof ASM Karaan	4		2	
NS Mjoli-Mncube	6	4		
LP Retief	6	4		
PM Roux (Chief Executive Officer)	6	4	2	4
AH Sangqu	6	4		
Dates of meetings held				
	17/10/2013	20/11/2013	13/03/2014	17/11/2013
	21/11/2013	12/03/2014	21/08/2014	13/02/2014
	13/02/2014	14/05/2014		15/05/2014
	15/05/2014	30/07/2014		17/09/2014
	31/07/2014			09/05/2013
	19/09/2014			05/09/2013

* AE Jacobs stepped down as a member of the Board and audit and risk committee, effective 13 February 2014.

Group regulatory compliance

The Group's approach to regulatory compliance is based on the Generally Accepted Compliance Practice ("GACP"), as endorsed by the Compliance Institute of Southern Africa ("CISA").

Pioneer Foods, including its subsidiaries, is a responsible manufacturer and supplier of trusted brands and high-quality food, beverages and related products for both human and animal consumption.

As a listed company on the Johannesburg Stock Exchange ("JSE") and a corporation duly incorporated in South Africa under the provisions of the Companies Act, Act 71 of 2008, as amended,

as well as the Regulations thereto ("the Companies Act"), Pioneer Foods is subject to a comprehensive set of regulatory compliance requirements.

The heightened focus on corporate governance and sustainable business practices continues to be a pivotal component of the Group's approach to creating value for all stakeholders.

Compliance with applicable regulatory requirements, therefore, forms an integral part of the business's overall strategy. The Group strives to keep abreast of regulatory changes and the impact of these on business activities, the products and services rendered to customers and, ultimately, the consumer.

The Group sets expectations that each employee, as a brand ambassador and representative of Pioneer Foods, complies with all applicable laws and regulations that govern the business.

Any violation of laws, rules or regulations that could potentially jeopardise the organisation's integrity is not tolerated. It is for this reason that Pioneer Foods aims to engage, and ultimately influence, its critical business partners in complying with laws and regulations applicable in its operating context.

The Group's implementation and adherence to the recently promulgated Protection of Personal Information Act ("POPI Act") is a notable example of its commitment to the highest standards of compliance. This involved extensive preparation in the previous year, including conducting a risk-based gap analysis and creating awareness among employees.

The various stages of the Group's risk-based practice concerning regulatory compliance can be illustrated as follows:



Non-compliance

The Board herewith confirms that, to the best of its knowledge, the Group was not involved in and/or associated with any material transgression or non-compliance incident that relates to an applicable regulatory requirement during the year under review.

Focus areas for 2014

The Group is committed to continuously reviewing its compliance risk analysis and its associated compliance universe, to ensure that it remains current and relevant.

The Group operates according to a compliance universe which is incorporated in its revised enterprise risk management framework and consists of the following criteria:

- *Mandatory* compliance requirements, i.e. laws and regulations that influence and/or affect the Company's business operations
- *Voluntary* compliance requirements, i.e. a combination of industry and customer requirements, non-binding rules, best practices, codes and standards
- *Internal 'Pioneer Foods-specific'* compliance requirements, i.e. Company policies and procedures, standard operating protocols and business-specific standards.

Further to the aforementioned, the material pieces of legislation currently affecting the Group are, among others:

- Foodstuffs, Cosmetics and Disinfectant Act
- Agricultural Products Standards Act
- Food Labelling Regulations R146, as well as R429 which is still in draft format
- POPI Act
- Employment Equity Amendment Act

CORPORATE GOVERNANCE (CONTINUED)

- The new Labour Law amendments
- Consumer Protection Act
- Competition Act
- Solvency and Asset Management (“SAM”)
- A suite of applicable environmental management laws and regulations

IT governance report

Pioneer Foods’ IT (Information technology) governance framework and reporting system provides the Board with a clear view of the IT procedures within the business. The framework enables the Board to verify that Pioneer Foods is deriving value through the appropriate use of IT in line with the business strategy and at acceptable levels of risk.

The Pioneer Foods IT charter is based on the principles of IT governance described in King III and guides the Board in discharging its IT responsibilities. The Board is responsible for IT governance and has the ultimate responsibility to ensure that information and IT strategies are aligned with the strategies of the business. The audit and risk committee assists the Board in carrying out these responsibilities. The Board has satisfied itself that, based on reports received from this committee, an appropriate IT governance framework exists and is functioning effectively.

Pioneer Foods recognises the strategic role that IT governance plays in conducting business in a highly competitive environment, given IT being regarded as a strategic asset which is deeply entrenched in the way the Group conducts its business.

Ethics

The Group’s code of ethics guides the application of business ethics in the organisation by defining and communicating expected behavioural standards for Pioneer Foods. By providing guidelines, the code

empowers each employee to make decisions based on core values. The purpose of the code is therefore to guide the Group in the way it conducts business and enhances its reputation with its stakeholders. In line with the new business model, the code of ethics was reviewed and aligned with the dti’s Business Practice Guidelines.

Following the 2013 KPMG ethics risk assessment, Group internal audit conducted an internal assessment early in the financial year. To improve the Group’s ethical culture, HR management has been appointed as ethics champions.

Themed monthly awareness campaigns delivered through the internal portal, screensavers, and at premises, as well as a modular ethics training programme via the SAP Productivity Tool, are parts of an established continuous programme. The programme has been approved and is monitored by both the social and ethics and the audit and risk committees of the Board.

Tip-offs Anonymous

During the financial year, 58 tip-off reports were received through the anonymous hotline. All of these were investigated. Of the 52 investigations that have been completed, two led to dismissals and control improvement recommendations were implemented in response to 14 allegations. The remaining 36 were regarded as unfounded allegations.

Human rights

Pioneer Foods respects the human rights of its employees, suppliers and everyone else it interacts with. Human rights requirements are included in the code of ethics and all suppliers are expected to ensure they are not implicit in any form of human rights abuse and that they support, respect and protect internationally proclaimed human rights.

The Group’s procurement policy contains a section that covers this important aspect and the expected behaviour of suppliers. The Group is constantly

monitoring supplier operations for ethical practices. There were no incidents of human rights violations, child labour, forced or compulsory labour that were brought to the Group’s attention during the period under review.

Procurement controls review

Stringent anti-corruption measures have been put in place to help drive adherence to the procurement governance principles as well as promote anti-corruption legislative compliance:

- **Supplier vetting and ongoing monitoring:** Central Procurement is in the process of sourcing a supplier vetting tool to enable vetting of both current and prospective suppliers.
- **Anti-corruption compliance questionnaire:** Suppliers are required to complete a questionnaire before being awarded the contract, which is then incorporated into the agreement to ensure accountability.
- **RFP (Request for Proposals) document enhancement:** Various clauses highlighting anti-corruption governance principles have been added to the RFP document as recommended by internal audit and senior counsel.



- **Procurement Policy enhancement:** The Procurement Policy has been updated to reflect the anti-corruption compliance requirements to be fulfilled by Pioneer Foods employees.

Going concern

The Board is of the view that, after considering and scrutinising factual and substantiated information, the business will continue as a going concern in the new financial year. The Board, under the auspices and recommendations of the Group’s audit and risk committee, considered this aspect at both the interim reporting stage as well as at the end of September 2014. Reference is made to the statement in this regard, as per the report of the chairman of the audit and risk committee on page 2 of the annual financial statements.

Business risk management and continuity

Business risk management and continuity is a core element of Pioneer Foods’ sustainability agenda. During the year, in line with the shift to the One Pioneer business model, management engaged in a rigorous top-down and bottom-up business risk assessment. The results of this assessment, and its subsequent reviews, are reported to the audit and risk committee on a regular basis. The 2014 strategic business risk register is reflected below:







	Principal risk	Specific risks	Mitigation of risk	Link to strategy
1	Economy and growth Lack of growth initiatives and slow extraction from marginal assets, within an environment of poor economic growth and increased competition.	Failing to participate in value-adding transactions Paying too much to acquire new business Slower-than-expected extraction from marginal assets and uneconomical SKUs Continued high levels of unemployment in South Africa Insufficient volume growth from constrained local market	Formalised process to pursue value-adding transactions domestically, in Africa and abroad Structured plans to divest from marginal assets and uneconomical SKUs Cost reduction and efficiency focus to support investment in growth opportunities	 Shape a winning portfolio: Expand into adjacent countries Enable growth via acquisitions in domestic, African and international markets Divest from marginal assets Aggressive SK rationalisation  Focus on power: Step-change support levels and strategic direction of power brands

CORPORATE GOVERNANCE (CONTINUED)

	Principal risk	Specific risks	Mitigation of risk	Link to strategy
2	Market share loss and competition Market share loss due to not keeping pace with competitor activities, consumer shifts and changes in preferences.	Failure to adapt, leading to brands and products losing relevance with consumers and customers Competitors grow current and new categories faster and more profitably, offering better value and growing their customer and consumer base	Evaluate and understand market and category trends, changes in consumer needs and industry dynamics Ongoing evaluation of brand portfolios in every category and market Grow the brand equity by investing in innovation, renovation and relevance Joint business planning processes implemented Measure channel optimisation and customer profitability	 Focus on power brands: Brand portfolio and brand strategy Innovation and renovation focus Segmentation modelling Enhanced brand investment  Embed strategic customer management Customer-centric organisational design Joint business planning Optimal channel and customer mix
3	Efficiency and cost focus Not fully realise planned savings, improved productivity and margin disciplines to compete successfully.	Burden on business and infrastructure to keep marginal assets and non-performing product offerings The process of rightsizing could impact the focus of the day-to-day management of the business Risk of unsuccessful completion of significant projects undertaken in the next 18 months	Measure savings against targets Diligent measurement of key performance indicators against agreed targets and benchmarks Applicable management information Craft strong project management and technical skills Corporate strategic planning alignment with prioritisation of projects Lower production costs (waste and efficiency targets defined, measured and managed)	 Reset the cost base and step up productivity: Rightsizing the organisation Merge Bokomo Foods and Ceres Beverages Capitalise on “parenting advantage” – One Pioneer business model Manufacturing efficiencies/ price/volume/margin disciplines  Shaping a winning portfolio  Build a high performance culture

	Principal risk	Specific risks	Mitigation of risk	Link to strategy
4	Talent and high performance culture Not succeeding in building a high performance culture and loss of key talent.	The ability of personnel to adapt and align with the change required Failing to identify, develop and retain appropriate talent The availability of key skills at an appropriate cost Not meeting transformation and diversity targets The rightsizing of the business could lead to loss of key talent	Learning agility programmes Talent and skills management initiatives Reward systems, including short and long-term incentive schemes Transformation and diversity measurements Change management programmes More focus on training and development Increased employee engagement and job satisfaction surveys	 Build a high performance culture Talent calibration Speed to market and innovation Transformation Talent management Skills development Strengthen employer/employee proposition
5	Input cost volatility Commodity price and exchange rate volatility impacting costs.	The lack of or low availability of agricultural commodities that impacts the supply chain and results in major raw material price volatility Exchange rate volatility, risk and uncertainties associated with the importation of raw materials and equipment and with the export of products may impact overall competitiveness and profitability Inadequate vine fruit crop to service the market Unanticipated exposure to product input costs due to the exchange rate Risk of lost margin due to volatile soft commodity market	Appropriate resource allocation to procurement and exchange rate transaction responsibility with clear financial controls and review External input in terms of commodity supply and demand on an international basis Foreign exchange risk policies are applied, combined with external inputs on rate management Create additional growing areas – spread planting areas with farmers Focus on new cultivars harvested over longer periods Optimal carry over stockholding Determine stock positions ahead of pricing increase expectation Ensure hedging strategy is followed	 Reset the cost base and step up productivity  Build a high performance culture

CORPORATE GOVERNANCE (CONTINUED)

	Principal risk	Specific risks	Mitigation of risk	Link to strategy
6	Governance and regulatory compliance The Group has to be able to operate according to a comprehensive suite of compliance requirements.	The inability to manage compliance with ongoing regulatory changes Reputational and financial risk as a result of non-compliance Failure of governance controls making insider trading possible	Training and awareness are continuously provided on a targeted basis across the business Self-governance backed by appropriate policies, systems, procedures and reporting Appointment of skilled technical resources to inform and govern this exposure Monitor and report application/maturity levels and response to applicable regulatory requirements Ensure interpretation and application of decision-making framework at operational level Controlled access to information	 Reset the cost base and step up productivity  Build a high performance culture
7	Transformation Transformation and diversity is key in sustaining and growing the business.	Slow progress could result in potential penalties Uneconomical labour cost Lagging B-BBEE employment	Transformation plan and targets directed and measured from the centre Ensure manning levels are correct HR policy that regulates key compliance aspects, planning tool and business unit planning forums Identification of key skills required Intensive focus on training internal staff	 Reset the cost base and step up productivity  Build a high performance culture
8	Technology and innovation The consumer environment is increasingly shaped by technology, requiring innovative solutions.	Non-adoption may result in efficiency losses and market share decline Leakage and/or exposure of company confidential information Increased risk of cybercrime	Product innovation strategy and plan directed by executive Manufacturing and procurement forums focus on technology advancement Regular governance review of information and systems security Annual review of IT strategy (structure, skills, technology, hardware, software and systems)	 Reset the cost base and step up productivity  Build a high performance culture

	Principal risk	Specific risks	Mitigation of risk	Link to strategy
9	Business interruption Unplanned interruption may lead to production and supply inefficiencies.	Risk of industrial action Dissatisfied and unproductive workforce Fire damage and/or water shortage preventing business activities Decreasing quality of municipal water quality Shortage in key raw material supply Inconsistent electricity supply	Annual negotiation planning: • Environmental scan • Strategic mandate to HR • Ongoing monitoring Staff engagement Recognition and reward programmes Talent attraction and retention Culture of discipline, accountability and recognising high performance Disaster recovery plans and testing Quarterly risk management forums Logistics planning and stockholding strategy Continuous staff training on safety, health, environment and quality ("SHEQ") – fire drills and procedures Installation of backup generators Ensure adequate water supply at all sites in case of fire	 Reset the cost base and step up productivity  Build a high performance culture
10	Product safety and contamination As a producer of food and beverage products for human and animal consumption, the Group must ensure that all products are safe.	Food safety risk resulting from product contamination Product contamination impact on consumer health, leading to reputational damage Failure in ingredient risk management	Supplier specifications and food and safety standards, with regular evaluations Quality controls, systems and procedures Compliance with legislation Proactive participation in lobby groups Closer partnership with government bodies Third-party auditing Continuous monitoring of processes, controls and products	 Reset the cost base and step up productivity  Build a high performance culture

CORPORATE GOVERNANCE (CONTINUED)

Management has partnered with Marsh Risk Services to review all risk control programmes throughout the business. The Risk Control Forum, comprising the necessary business representation and divisional executives, meets quarterly to review these findings and evaluate progress. The results of the programmes are reported to the audit and risk committee on a regular basis.

The Group is committed to effective risk management and recognises that the management of business risk is an imperative cornerstone and an enabler in achieving the Group's vision of being a leading fast-moving consumer goods company in Africa with globally trusted brands. An integrated risk management culture is endorsed by undertaking a structured and comprehensive approach to the effective management of risks at operational and

corporate level. Risk categories include strategic, operational, financial and compliance risks. Overarching these is reputational risk.

The risk management model aligns with the strategic objectives and directions, management priorities, material issues, shareholders' expectations and reputational risk, while assisting critical decision-making processes as well as information management decisions.

The Group contextualised and summarised its risk management as follows:

- Governance and assurance processes
- Risk management and reporting processes

GOVERNANCE AND ASSURANCE PROCESSES

Board of directors
Responsibility: Oversight and governance

- Monitoring and evaluating the governance of risks and effectiveness of the risk management process
- Setting the risk appetite of the Group
- Align the risk management process with King III
- Align the risk management process with the strategic objectives, management priorities, material issues, reputational risks and stakeholders' expectations

Audit and risk committee (ARC)
Responsibility: Oversight and governance

- Review and approve risk management policy and plan
- Review and consider the list of strategic, high and critical risks and related systems of mitigation controls
- Review and consider the operational and corporate risk, mitigation and incident reports and assess against Board's established risk appetite
- Review business continuity capability, disaster management plans and Insurance cover

Assurance will be supplied to the ARC as follows:

- Business and the corporate management teams by identifying and mitigating risks daily through the implementation of preventative and detective systems, structures and controls
- Internal audit team through risk-based internal audits
- External assurance providers, regulatory and legislative audits, as well as independent reports
- Risk management process and reporting (refer summarised processes and reporting)

RISK MANAGEMENT AND REPORTING PROCESSES

Alignment of risk management processes with:

- Strategic objectives and direction provided by the Board and the executives
- Management priorities
- Material issues
- Stakeholders' expectations
- Reputational risk

The operational and corporate management teams:

- Compile a functional risk register
 - Defining the risks
 - Assessing the impact of the risks on the organisation, should they happen, and assessing the likelihood of the risks happening
 - Classify the risks
 - Indicate mitigation factors and controls implemented
- Manage the risk mitigation and control activities on a daily basis through the implementation of preventative and detective systems, structures and controls
- Monitor and report on the risk management and incident reports

Reporting by management to the ARC includes the following:

- Risk management processes and policy application
- Strategic, high and critical risks and related system of mitigation controls
- Risk controls and assurance monitoring
- High-risk incidents and decision to treat, tolerate, terminate or transfer the risk
- External assurance and internal audit

CORPORATE GOVERNANCE (CONTINUED)

Internal audit

During the year, Pioneer Foods successfully outsourced its internal audit function to Deloitte. Internal audit has regular and unrestricted access to the chairman of the audit and risk committee and Chief Executive Officer.

The internal audit function strives to assist the business in accomplishing its objectives by applying a risk-based approach to evaluate and improve the effectiveness of risk management, integrated systems, internal controls and governance processes across the Group.

The role and responsibilities of internal audit are contained in its terms of reference, which is reviewed and approved by the audit and risk committee on an annual basis. Internal audit's mandate can be summarised as follows:

- Review systems and operations to assess the extent to which the Group's objectives are achieved, including the adequacy of controls over activities leading to such achievement.
- Evaluate the relevance, reliability and integrity of management and financial information.
- Appraise the utilisation of resources with regard to economy, efficiency and effectiveness.
- Assess the means of safeguarding resources and, at the same time, verifying its existence.
- Ascertain the degree of compliance with established Company policies, standards, procedures, instructions and applicable laws and regulations.
- Evaluate and recommend improvements in procedures and systems to prevent waste, extravagance and fraud.

- Advise on appropriate systems of controls and other accounting and operational matters.
- Draw attention to any failure and recommend remedial/corrective actions.
- Perform ad hoc investigations, inspections, appraisals, examinations or reviews as requested by management and/or the audit and risk committee.

Findings and recommendations of all internal audit processes are reported to management and the audit and risk committee. The assurance services required for specialised information technology and the SAP ERP system environment is outsourced to the Group's external auditors, i.e. other than the division that has been appointed to fulfil the external financial auditing function as per the JSE Listings Requirements and the Companies Act.

Pioneer Foods' internal audit is formalising the combined assurance model to drive assurance coverage and audit efficiencies. The combined assurance model focuses on the key principal risk areas identified through the enterprise-wide risk assessment process. Internal audit is the custodian of the combined assurance process within Pioneer Foods.

Remuneration report

Remuneration principles and policy

Introduction

The remuneration report largely addresses the principles and policies affecting the CEO, Group executive management, and senior management of the organisation. This stakeholder group has a clear line of sight of the key strategic themes of Pioneer Foods that drive the twin objectives of:

- strengthening the brands; and
- expanding margins.

The alignment of strategic focus, execution, and reward of this team is essential to the overall performance of the Group.

Group strategy alignment

Alignment of Pioneer Foods' strategic direction, specific value drivers and the remuneration of the CEO, Group Executive management and senior management members is ensured by the human capital committee (HCC).

The total remuneration approach is reviewed frequently by the HCC to ensure the relative percentage of guaranteed and variable pay is market related and supportive of the strategic objectives. To this end, total remuneration incorporates elements of guaranteed and performance incentive pay, focused on retaining talent and rewarding the achievement of both short and long-term objectives. This is expressed, as follows:

- Annual review of guaranteed pay taking into account factors such as CPI, industry performance, business performance and affordability. Benchmarks are conducted by job family to ensure the retention of scarce skills. Higher increases can be given to high-performing individuals, based on performance feedback. Annual review of guaranteed pay is effective 1 January.

- Payments of short-term incentives (STIs) are based on a percentage of guaranteed pay and dependent on the achievement of agreed hurdle rates, triggering at an entry target point, and capped at an agreed targeted growth point. STI payments are made annually on 15 December after confirmation of the financial results for the year ending 30 September.
- Long-term incentives (LTIs), in the form of share appreciation rights (SARs), are allocated annually. Vesting takes place in years 3, 4, and 5 after allocation, and 50% of the vesting thereof is time dependent and 50% performance dependent. Specific hurdle rates must be achieved for vesting on the performance-based allocation. If performance conditions for any specific period are not met, the relevant SAR allocation is forfeited.

CEO, executive team and senior management remuneration

The remuneration mix of the CEO, Group executive management and senior management is differentiated to attract, retain and reward exceptional talent. These elements are explained in more detail below.

Guaranteed remuneration

The Company applies a total guaranteed package (TGP) structure to guaranteed remuneration. The strategy is that the Company will strive to pay on average at the median for all positions. Jobs with the same grade can earn different amounts as determined by market factors, such as shortage of skills, which can result in a premium being paid for those skills in short supply. TGP structuring rules include the following:

- Membership of Group Retirement Fund is compulsory
- Membership of medical aid is voluntary
- Travel allowance in accordance with the South African Revenue Service regulations, where applicable

CORPORATE GOVERNANCE (CONTINUED)

TGP surveys/Benchmarking

The Company will from time to time use external benchmarking and survey data as is deemed necessary. The organisation will select appropriate peer organisations for benchmarking based upon industry, organisation size, specific job that is being benchmarked (some roles are industry specific whereas other roles are generic to business) and any other parameters that are considered valid. As a rule, the benchmarking will be by job family.

Variable remuneration

Variable remuneration refers to the STI and LTI schemes.

STI 2014

The STI is based on two elements of performance measurement:

- Growth in headline earnings before tax (HEBT) for Group performance and operating profit (EBIT) for business unit performance (50% potential)
- Growth on previous year's economic profit (EP) for Group and business unit performance respectively (50% potential)

The bonus payment is dependent on the following hurdle rates:

- HEBT or EBIT growth element: CPI plus percentage growth in GDP; and,
- EP element: the hurdle rate is to match the previous year's EP.

A maximum bonus pool (cap) will be calculated as a percentage of economic profit and growth in economic profit annually to govern the total amount of STI payments. A key principle is that if there is no growth in EP, no bonus is payable and the pool is zero.

Depending on seniority, payment at achieving the entry target point (based on TGP) is between 0% and 20%, and payment is capped, varying between 15% and 150% of TGP, on achieving the maximum targeted growth.

LTI 2014

The HCC determines the share allocation to qualifying managers annually for the SAR scheme. Multiples of TGP determine the annual allocation of SARs to qualifying employees varying from 1 to 9 times of TGP. In determining the annual top-up calculations, the unvested value allocated in the past is taken into account. No qualifying employee can be allocated more than 1 million ordinary shares cumulatively, once converted.

Vesting conditions of the SARs:

- Compounded average growth rate (CAGR) in headline earnings per share (HEPS) of CPI plus 1% real growth will trigger vesting of 1/3 of the allocation at each of the 3rd, 4th and 5th anniversary dates of allocation.
- Hundred per cent vesting will be achieved at CAGR growth of CPI plus 5% real growth for each relevant period.

The time allowed to exercise the SARs will be six months after each and every respective vesting date. If performance vesting conditions are not met at vesting date, the relevant SAR allocation is forfeited.

The total value of ordinary shares that may be transferred to employees under the SAR is limited to 14.5 million shares and represented approximately 7.5% of the issued ordinary shares at the date of approval of the scheme by shareholders granted in 2006.

An additional allocation is made annually to senior black management, and any exercise of these allocations will only be possible after five years of the date of allocation. Depending on seniority, the cumulative value of these additional allocations varies between 75% and 100% of a year's TGP.

Group benefits

The Company has benefit schemes that everyone qualifies for participation in. These are:

- Provident and retirement schemes: membership is compulsory for permanent employees
- Insured risk benefits: minimum cover of 1 times TGP up to 4 times (provident fund) or 7 times (retirement fund), by choice of the member
- Medical aid scheme: membership is not compulsory

Other remuneration points

Average notice period for CEO, Group executive management, and senior management is three months.

Non-executive directors

The overriding principle governing payment to non-executive directors is that they will be made in the context of good governance. The amounts will be determined by the HCC and approved by the Board.

Non-executive remuneration will primarily be based upon a fee that reflects expertise, contribution of the directors and attendance.

Where appropriate, independent benchmark advice will be sought as to levels of remuneration for non-executive directors.

If required, the directors may be requested to perform work outside of their standard duties, which standard duties would include annual general meeting and annual/interim results presentations, and for this they will be reimbursed based upon the time spent and their level of expertise.

The fees paid to different roles, such as that of chairman, may vary from the fees paid to other non-executive directors.

Non-executive directors will not participate in any share-based incentive scheme or any other incentive scheme that the Group may implement, to avoid any potential conflict of interest.