

CORPORATE GOVERNANCE

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

The Group's corporate governance policies and 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.

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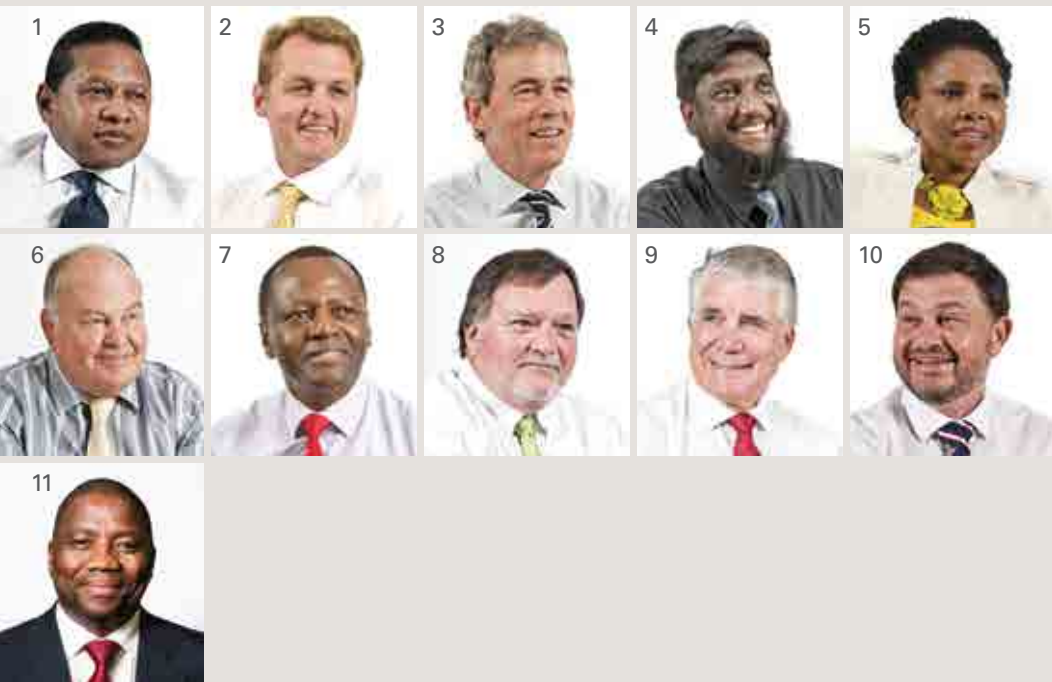


PIONEER FOODS

CORPORATE GOVERNANCE

Board of directors

Non-executive directors



Executive directors



Non-executive directors

1. ZL (KK) COMBI (63)

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

Mr Combi was the executive chairman of ThembeKa 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.

Director since 29 March 2010.

2. N (NORMAN) CELLIERS (42)

BEng (Civil), DipSoc (Oxon), MBA (Oxon)

Non-executive director, member of the social and ethics committee and the human capital committee

Mr Celliers holds a BEng (Civil) degree from the University of Stellenbosch and a MBA from the University of Oxford (England). His professional experience includes engineering, management consulting and private equity in South Africa and abroad. He has been the Chief Executive Officer of Zeder Investments Limited since 2012 and serves on numerous boards, including Capespan Group Limited (Chairman) and Quantum Foods Limited.

Director since 1 October 2012.

3. MM (THYS) DU TOIT (56)

BSc, MBA

Independent non-executive director, chairman of the human capital committee

Mr du Toit has been actively involved in the 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 (47)

BSc Agric, BSc Agric (Hons), MSc Agric, PhD

Independent non-executive director, chairman of the social and the 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 (56)

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

Independent non-executive director, member of the audit and risk committee

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 has 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 (67)

BSc, BEng, LLB, PMD

Lead independent non-executive director, member of the human capital and the 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 (49)

BCom (Acc), BCompt (Hons), CTA, Higher Dipl Tax, MBL
Independent non-executive director, chairman of the 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 an Executive Development Programme (EDP) at Wits University as well as a Master's Degree in Business Leadership at Unisa's Graduate School of Business Leadership (SBL) in 2001. He has completed a High Performance Board (HPB) program 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, as well as being the former chief executive officer of Prodigy-Coris Asset Management and managing director of Budget Foods (Pty) Ltd. He currently serves as Executive Head of Anglo American South Africa.

Director since 24 February 2006.

8. LP (LAMBERT) RETIEF (62)

BCom (Hons), CA(SA), OPM (HBS)
Independent non-executive director, member of the audit and risk committee

Mr Retief is a qualified CA(SA) and is a former director of Naspers, Media24 and Zeder Investments. He is the chairperson and former chief executive officer of Novus Holdings.

Director since 17 February 2012.

Appointed

19 November 2015

9. NW (NORMAN) THOMSON (64)

BCom (Hons), CA(SA)

Independent non-executive director

Mr Thomson served as group finance director of Woolworths from 2001 until 2013. He currently serves as a director on the boards of Country Road in Australia and is chairman of the Woolworths group subsidiaries in Kenya, Tanzania, Uganda, Nigeria and Zambia. Mr Thomson holds a BCom degree from Rhodes University and is a qualified Chartered Accountant.

10. PJ (PIET) MOUTON (39)

Non-executive director

BCom (Maths)

Mr Mouton is the chief executive officer of the PSG Group. He currently serves as a director on the boards of various PSG Group companies, including Curro Holdings, PSG Konsult, Zeder Investments and Capitec Bank. Mr Mouton holds a BCom (Maths) degree from Stellenbosch University.

11. SS (SANGO) NTSALUBA (55)

BCom, BCompt (Hons), CTA, CA(SA), HDip Tax Law
Independent non-executive director

Mr Ntsaluba is the founding chief executive officer and executive chairman of Amabubesi Investments. He currently serves as a director on the boards of Barloworld, National Housing Finance Corporation, Basil Read and Ubank. Mr Ntsaluba holds a BCompt (Hons) degree from the University of South Africa and is a qualified Chartered Accountant (South Africa).

Executive directors

12. PM (PHIL) ROUX (50)

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 FMCG industry in various senior positions, including chief operating officer: Africa for Coca Cola SABCO and non-executive director of Oceana Group Ltd.

Director since 1 April 2013.

13. LR (LEON) CRONJÉ (59)

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.

Mr Cronjé retired as financial director and Board member on 1 March 2015 and was succeeded by Ms Cindy Hess.

14. CJ (CINDY) HESS (39)

BCom (UWC), PGDA (UCT), CA(SA)

Chief Financial Officer

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.

Ms Hess succeeded Mr Cronjé as financial officer and Board member on 1 March 2015.

Director since 1 March 2015.

CORPORATE GOVERNANCE (CONTINUED)

Executive management



1. PHIL ROUX (50)

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 FMCG industry in various senior positions, including chief operating officer: Africa for Coca Cola SABCO and non-executive director of Oceana Group Ltd.

He has been with the Group since April 2013.

2. LEON CRONJÉ (59)

BCompt (Hons), CA(SA)

Executive: Corporate Services

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 28 years.

3. TERTIUS CARSTENS (52)

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 21 years.

4. THUSHEN GOVENDER (39)

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.

5. CINDY HESS (39)

BCom (UWC), PGDA (UCT),

CA(SA)

Chief Financial Officer

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.

6. JAY-ANN JACOBS (43)

BA LLB (UCT), LLM (UCT),

Postgraduate Diploma (UCT):

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 five years.

7. FELIX LOMBARD (46)

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 20 years.



View online: www.pioneerfoods.co.za

CORPORATE GOVERNANCE (CONTINUED)

Board of directors

The Board exercises overriding control over the Group and 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, enabling the Group to achieve its objectives in a sustainable manner. During the period under review the Board successfully oversaw and guided the Group through various corporate activities into Africa and locally.

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

Composition and size

The Board consisted of 10 members as 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, through the chairman and lead independent director, 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 and will be available for re-election in February 2016. The chairman is an independent non-

executive director and is also 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 to operational and capital budgets in consultation 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 applied all the principles of the King III recommendations.

- Appointment of directors: Together with the MOI, which details the appointment of members of the Board, the Group has a nomination policy setting out the procedure for such appointments, which is formal and transparent. The nomination committee, chaired by Mr Combi, assists the Board in such deliberations.
- Balance of power: The Board Charter evidences a clear balance of power and authority at Board level, ensuring that no single director has unfettered powers of decision-making.

* Subsequent to year-end, a further three non-executive directors were appointed on 19 November 2015.

- In line with best practices the chief executive officer and the chairman are two separate appointed positions. Even though the chairman is an independent non-executive director, the Board 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.
- The audit committee (which includes the risk committee) and the human capital committee (or remuneration committee) was established when the Group 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 88.
- During the year, the Group had a full-time executive financial director. Ms Hess, the new chief financial officer, was appointed on 1 March 2015 when Mr Leon Cronjé retired as financial director.
- At its meeting held on 18 November 2015, the audit and risk committee satisfied itself of the appropriateness of the expertise and experience of the chief financial officer, including the finance function, after due debate.
- The chief executive officer and chairman of the Board assessed the company secretary as a direct consequence of their daily interactions with her. The assessment results, delivered no areas for concern and the Board satisfied itself of the competence, qualifications and experience of the company secretary.
- The company secretary has an arm's length relationship with the Board and is not a director 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. However, she is a director on the following subsidiaries within the Group:
 - Pioneer Foods Holdings Ltd
 - Pioneer Foods (Pty) Ltd

The full interactive King III Governance report is available online at www.pioneerfoods.co.za. The Group has achieved a Level AAA of compliance and has maintained same for the last two financial years.

Pioneer Foods' compliance status with regards to the mandatory King III/JSE's reporting requirements, is summarised in the table below.

Pioneer Foods (Pty) Ltd – 1957/000634/07	Fully Complied/Review
JSE Corporate Governance Listing Requirement	Fully Complied

The following link can be used to access the JSE'S Corporate Governance Listing Requirements relevant to Pioneer Foods, as published on the Institute on Directors' (IoD) Governance Assessment Instrument (GAI):

- http://www.iodsa-gai.co.za/Reports/Public/JSE_ListingRequirements.aspx?L=5a1ead38-5db5-4999-81cc-9b9ea40fd85c

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, amongst other things 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 the Promotion of Access to Information Act, Act 2 of 2000 ("PAIA") and is responsible for the execution of all statutory requirements applicable to those responsibilities.

CORPORATE GOVERNANCE (CONTINUED)

Board committees

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

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

The committees report on a continuous basis to the Board on their respective directives and deliverables in accordance with their respective Board approved committee charters. The committee charters are reviewed annually and are available at www.pioneerfoods.co.za.

Board and committee meeting attendance

The table below provides a synopsis of the attendance of members serving on the Board and its committees during the year.

	Board meetings (scheduled)	Audit and risk committee meetings	Social and ethics committee meetings	Human capital committee meetings	Nomination committee meetings
Board of directors	5	4	3	5	4
ZL Combi (Chairman)	5			4	3
G Pretorius (Lead independent director)	5			5	4
N Celliers	5		3	4 ³	
LR Cronjé ¹ (Financial Director)	2	2		2	
MM du Toit	4			4	4
Prof ASM Karaan	5		2		
NS Mjoli-Mncube	4	4			
LP Retief	5	4			
PM Roux (Chief Executive Officer)	5	4	2	5	4
AH Sangqu	3	4			
CJ Hess ² (Financial Director)	3	3		2	
Dates of meetings held	20/11/2014	19/11/2014	19/11/2014	18/11/2014	18/11/2014
	12/02/2015	13/03/2015	12/03/2015	12/02/2015	12/02/2015
	14/05/2015	13/05/2015	28/07/2015	14/05/2015	08/06/2015 ⁵
	29/07/2015	28/07/2015		08/06/2015 ⁴	16/09/2015
	18/09/2015			16/09/2015	

¹ LR Cronjé retired as Financial Director and member of the Board effective 1 March 2015.

² CJ Hess was appointed as Financial Director and member of the Board effective 1 March 2015.

³ N Celliers was appointed as a member of the Human Capital Committee on 18 November 2014.

⁴ An ad hoc meeting of the human capital committee was held on 8 June 2015.

⁵ An ad hoc meeting of the nomination committee was held on 8 June 2015.

* The Board subsequently resolved to separate the role and responsibility of the previous Audit and Risk Committee into two distinct committees, i.e. an Audit Committee and a Risk Committee.

Group compliance

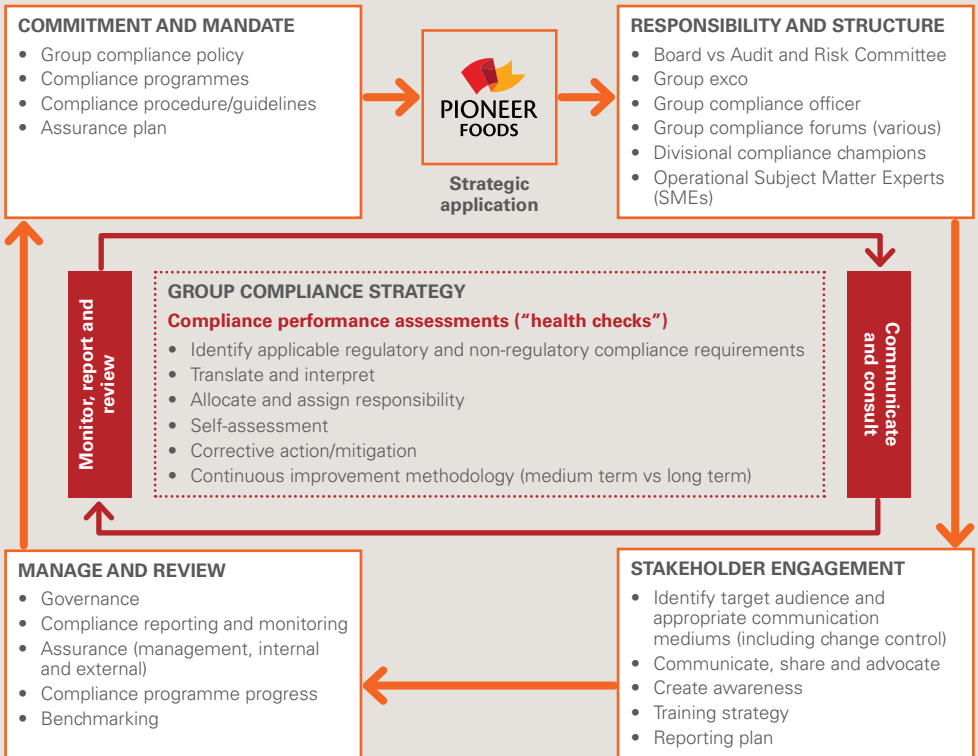
Pioneer Foods continues to be committed to conducting its business in a responsible and ethical manner. The suite of applicable rules, standards, laws and regulatory requirements that govern the Group, forms the foundation of the Group's ongoing objective to manufacture and supply trusted brands and high-quality food, beverages and related products.

The Group's approach to regulatory compliance remains risk-based and aligned with best practice. Its methodology is guided by the Generally Accepted Compliance Practice, as endorsed by the Compliance Institute of Southern Africa.

Compliance to applicable regulatory requirements forms an integral part of the business's overall strategy and is a standing item on the Group audit and risk committee's agenda. The Group continuously invests in making the necessary resources and tools available to equip its employees with the requisite skills and expertise to comply with all applicable laws and regulations, and to perform optimally in a responsible and ethical manner.

Group compliance strategy

Pioneer Foods has a Board-approved compliance strategy and policy, which underpins the Group's overall business practices. The various aspects are illustrated below:



CORPORATE GOVERNANCE (CONTINUED)

Compliance universe

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

- *Mandatory* compliance requirements – i.e. applicable 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

Compliance risk management

The Group reviews its compliance universe on an annual basis, including assessing the completeness

and accuracy of those regulatory requirements identified by management and subject matter experts. After each of the applicable regulatory requirements have been identified, they are categorised as “*core*”, “*topical or pertinent*” or as a “*secondary*” compliance requirement.

Continuous risk assessments are being conducted on each of the applicable regulatory requirements identified, taking into account the following aspects that influence the Group’s compliance risk profile:

- *Materiality* – reputational damage; monetary penalties; monetary loss; imprisonment.
- *Probability of occurrence* – influenced by the controls that the business implemented in order to mitigate the risk of non-compliance, which ultimately relates to technology, people, processes and information.

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



Compliance risk profile

During the year under review, the following laws and regulations (in no order of importance) have been identified among others as a focus area for the Group:

- Rules of the JSE – JSE Listings Requirements and rules of the JSE derivatives division
- Value-Added Tax Act, Act 89 of 1991
- Road Transportation Act, Act 74 of 1977
- Broad-based Black Economic Empowerment Act, Act 53 of 2003 (i.e. including the Generic Codes of Good Practice)
- Labour Relations Act, Act 66 of 1995
- Foodstuffs, Cosmetics and Disinfectants Act, Act 54 of 1972 (including the associated regulations such as R146)
- Financial Markets Act, Act 19 of 2012
- Electronic Communications And Transactions Act, Act 25 of 2005
- Short-term Insurance Act, Act 53 of 1998
- National Environmental Management: Waste Act, Act 59 of 2008
- Administrative Adjudication of Road Traffic Offences Act, Act 46 of 1998
- Employment Equity Amendment Act, Act 55 Of 1998
- Regulation of Interception of Communication And Provision of Communication-Related Information Act, Act 70 of 2002
- Regulations: Pesticide Residues: Maximum Levels (Gn R246)
- Employment Tax Incentive Act, Act 26 Of 2013
- Companies Act, Act 71 of 2008
- National Environmental Management Act, Act 107 of 1998
- Basic Conditions of Employment Act, Act 75 of 1997
- Consumer Protection Act, Act 68 of 2008
- Compensation for Occupational Injuries and Diseases Act, Act 130 of 1993
- Occupational Health and Safety Act, Act 85 of 1993 (including the associated regulations)
- Trade Metrology Act, Act 9 of 2014
- The Protection of Personal Information Act, Act 4 of 2013
- Environmental Regulations For Workplaces as per the Occupational Health and Safety Act, Act 85 of 1993
- National Water Act, Act 36 of 1998
- Employment Services Act, Act 4 of 2014
- Competition Act, Act 89 of 1998



CORPORATE GOVERNANCE (CONTINUED)

Compliance reporting and monitoring

Pioneer Foods procured a software solution to assist with reporting and monitoring critical compliance requirements. The tool functions as a central repository of information for customised compliance-related reporting at Group, legal entity, divisional and/or operational level. Even though implementation is at an early stage, notable progress has been made in change management and reporting.

Non-compliance

Non-compliance is approached in a serious light. Any violation of applicable laws, rules or regulations that could potentially put the Group's integrity or reputation at risk is not tolerated.

To its knowledge, the Board confirms that the Group was not involved in and/or associated with, any material transgression or non-compliance penalty during the year.

Compliance training and awareness

Empowering and equipping its employees, is a critical aspect of the Group's skills development strategy. The latter includes making the necessary resources available and creating adequate platforms for engagement and interaction with employees on topical regulatory issues.

Apart from creating awareness on specific themes on an ongoing basis, the Group's compliance management training programmes include a suite of online training interventions, workshop-based training initiatives, and train-the-trainer engagements to mention only a few.

Regulatory alerts and notifications

While subscribing to various alerts, licences, and key sources of information the Group legal and compliance department scrutinises regulatory and compliance alerts on an ongoing basis.

New regulatory developments

Pioneer Foods uses all opportunities to influence and participate in policy making processes at industry level and with key regulatory bodies, given the services rendered to its customers and in view of the Group's product basket. This ensures that the Group's views are properly documented and communicated to the relevant enforcement and/or regulatory bodies.

Below is a summary of some of the regulatory submissions provided:

- Soft Drink Regulations
- Applications for a rebate provision 460.04/2009.89/01.06 for the importation of mango juice concentrate (2009.89.50)
- Codex – Collection of information about the use of sweeteners
- Carbon Emissions – Commentary and recommendations after which Pioneer Foods was invited by national treasury to participate in contact sessions with a selected number of interest groups
- Statutory measures on grain products and animal feeds
- Draft export regulations – animal and processed products
- Statutory measures – grain products and animal feeds (phase 2)
- Advertising Standards Authority Code – International
- R429 – Food Labelling Regulations
- Guideline 11 – Single Serving Sizes
- Maize Products Regulations
- Nutrient Profiling
- Sodium Reduction
- Statutory Levies on Winter Cereals – i.e. Wheat, Barley and Oats in terms of the Marketing of Agricultural Products Act

- Statutory Measures relating to Maize and Wheat Products
- FSB reporting – Solvency Asset Management compliance and reporting requirements

Consumer goods and services ombudsman and code

Pioneer Foods is a committed member of the ombudsman.

The objective of the Ombudsman’s office is to operate as an alternative dispute resolution mechanism, aimed at safeguarding the interests of consumers.

IT governance

IT (information technology) is regarded as a strategic asset, which is deeply entrenched in the way the Group conducts its business. For this reason, Pioneer Foods recognises the pivotal role that IT governance plays in conducting business in a highly competitive environment.

IT charter is reviewed annually to ensure the content remains relevant and current. In addition, it is based on the principles of IT governance as recommended in King III. It guides the Board in discharging its IT responsibilities and provides a clear view to management as to the implementation of IT-related procedures and business practices.

The IT governance framework and reporting system furthermore enables the Board to reinforce and verify the value derived through the appropriate use of IT, in line with the business strategy insofar as implementing it at an acceptable level of risk. The Board has satisfied itself that an appropriate IT governance framework exists and is functioning effectively.

During the year under review, one of the key IT related focus areas was a Group cybercrime risk assessment aimed at improving the safeguard of all digital information. As a result, data classification, further controls and general awareness were some of the actions taken to enhance governance, in this area.

Ethics management

The Group subscribes to the highest ethical standards of business practices. During the year, the Group reviewed its corporate values and its code of ethics (“the code”), which were subsequently amended to ensure that content aligns with the Company’s new business model and the dti’s Business Practice Guidelines.

It is a requirement that all employees and directors display integrity, honesty, mutual respect and openness when conducting business. This includes affording employees the right and obligation to challenge others who are not adhering to these values, while conducting themselves in a manner which is beyond reproach.

The code guides the Group’s policy with respect to the declaration of potential conflicts of interest, bribery, fraud, fair competition, corruption, theft, conspiracy, diversity and transformation, ethical purchasing practices, harassment and intimidation, human rights, fairness in the workplace, safeguarding the health and safety of employees, acceptance of gifts from third parties, fair dealing, insider trading as well as the protection and proper use of Company assets and resources.

The outcome of various independent and internal risk assessments, resulted in shaping the business approach and implementing initiatives aimed at addressing challenges and/or shortcomings identified. Training and creating awareness were, amongst others, some of the key focus areas. Representatives across the business from the human resources community, were identified and assigned as ethics champions, assisting management to ensure that ethics management, as a business practice, is embedded and advocated across the Group. The Group’s ethics programme was approved and is monitored by both the social and ethics committee and the audit and risk committee of the Board.

CORPORATE GOVERNANCE (CONTINUED)

Employees found guilty of ethical breaches are disciplined in accordance with the Group's disciplinary code. However, should the breach be criminal, the Company pursues prosecution of the employee concerned.

As per the obligatory requirements outlined in section 159(7) of the Companies Act, Pioneer Foods has a whistle-blowing policy, which is reviewed annually.

Together with the Tip-offs Anonymous Hotline that is managed by an external service provider, the whistle-blowing policy was established not only for the purposes of bona fide disclosures made by employees, but also for a broader stakeholder base including suppliers and customers.

Pioneer Foods' corporate values are directly linked to the code and include the following principles:

Company's Core business values	
Integrity	Operating the business in an ethical and responsible manner
Accountability and commitment	Accepting full accountability for individual actions and commitment to create value by contributing to positive change
Consumer/customer focused	Being customer and consumer driven – this ultimately justifies Pioneer Foods' licence to operate
Development and recognition of people	Valuing diversity in the workforce and creating sufficient platforms for personal growth
Adaptability	Being flexible in the approach to business, with conduct that is ethical and transparent, which creates value for stakeholders
Passion	Being passionate about what the Group does, how it is done, and contributing to the economy and the well-being of the end consumer

Even though the leadership of Pioneer Foods takes cognisance of the accountability and responsibility linked to corporate governance practices, the effective implementation and application of governance principles is dependent on the calibre of people involved and their respective interpretations of what ethical behaviour entails. Personal morals and individual attributes thus have the ability to enhance or harm the Group's corporate image. The challenge therefore remains in finding a sound balance between performance and conformance whilst attracting and retaining talent and integrity.

Even though the Board is accountable for overseeing risk management processes within the Company, the actual management of risks as well as conducting

business in an ethical manner, remains the responsibility of each employee.

Acknowledging and recognising employees

Pioneer Foods invest in recognising employees who portray outstanding ethical values. The "spot recognition" process encourages employees to nominate colleagues for executing and living the Pioneer Foods values in an outstanding and admirable way. In addition, the Group's annual "Excellence Awards," honours key employees who have displayed exceptional ethical values in fulfilling their respective mandates. Various categories exist to recognise enhanced performance for individual excellence, community-based initiatives and an ambassador criteria.

Tip-offs anonymous

During the financial year, 51 tip-off reports were received through the independently managed anonymous hotline. Following an investigation, 47 of these reports were regarded as unfounded allegations. This includes two call reports related to

customer complaints which were each dealt with through a separate channel. One call report could not be investigated due to insufficient information. Four investigations led to disciplinary hearings, which resulted in formal disciplinary warnings being issued.

Period	Total reports	Founded	Unfounded	In progress
01/04/15 – 30/09/15	20	1	19	0
01/10/14 – 31/03/15	30	3	27	0
01/04/14 – 30/09/14	29	1	28	0

Human rights

Pioneer Foods respects the human rights of 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 abuse and that furthermore 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 constantly monitors supplier operations for ethical practices. There were no incidents of human rights violations, that were brought to the Board's attention during the year.

Procurement controls review

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

- 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 external counsel.
- Procurement policy enhancement: the Group's procurement policy has been updated to reflect the anti-corruption compliance requirements to be fulfilled by Pioneer Foods employees. Responsibilities have been clearly defined for specific procurement categories and approval levels have been adjusted according to revised risk profiles.
- The SAP contract management module has been developed and will be commissioned in January 2016.





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 and at the end of September 2015. 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.

CORPORATE GOVERNANCE (CONTINUED)

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 One Pioneer business model, management engaged in a 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 2015 strategic business risk register is reflected below:

Principal risk	Specific risks	Mitigation of risk	Link to strategy
<p>1 Economy and growth Challenging economic environment. Slow growth and increased competition.</p>	<p>High levels of unemployment in South Africa</p> <p>Insufficient volume growth from a constrained local market</p> <p>More value-conscious consumer</p> <p>Inability to recover inflationary input cost pressures resulting from the exchange rate and uneconomical labour rate increases</p>	<p>Formalised pipeline and due diligence process to pursue value-adding transactions domestically, in Africa and abroad</p> <p>Cost reduction and efficiency focus to support investment in growth opportunities</p> <p>Increased levels of marketing support to drive top-line growth</p>	<p> Shape a winning corporate portfolio</p> <p>Expand into adjacent countries</p> <p>Enable growth via acquisitions in domestic, African and international markets</p> <p>Divest from marginal assets</p> <p> Focus on power brands</p> <p>Step-change support levels and strategic direction of power brands</p>
<p>2 Market share loss and competition Market share loss.</p>	<p>Failure to adapt, leading to brands and products losing relevance with consumers and customers</p> <p>Competitors grow current and new categories faster and more profitably, offering better value and thereby growing their customer and consumer base</p>	<p>Evaluate and understand market and category trends, changes in consumer needs and industry dynamics</p> <p>Increased levels of marketing support to drive top-line growth</p> <p>Ongoing evaluation of brand portfolios in every category and market</p> <p>Grow brand equity by investing in innovation, renovation and relevance</p> <p>Joint business planning processes implemented</p> <p>Measure channel optimisation and customer profitability</p>	<p> Focus on power brands</p> <p>Brand portfolio and brand strategy</p> <p>Innovation and renovation focus</p> <p>Segmentation modelling</p> <p>Enhanced brand investment</p> <p> Embed strategic customer management</p> <p>Customer-centric organisational design</p> <p>Joint business planning</p> <p>Optimal channel and customer mix</p>



Principal risk	Specific risks	Mitigation of risk	Link to strategy
<p>3 Efficiency and cost focus</p> <p>Not fully realise planned savings, improved productivity and margin disciplines to compete successfully.</p>	<p>Unsuccessful completion of key projects</p> <p>Electricity and water supply</p> <p>Irrecoverable cost push resulting from a weaker ZAR and uneconomical labour rate increases</p>	<p>Diligent measurement of key performance indicators against agreed targets and benchmarks</p> <p>Applicable management information</p> <p>Craft strong project management and technical skills</p> <p>Corporate strategic planning alignment with prioritisation of projects</p> <p>Lower production costs (waste and efficiency targets defined, measured and managed)</p>	<p> Reset the cost base and step up productivity</p> <p>Capitalise on “parenting advantage” – One Pioneer business model</p> <p>Manufacturing efficiencies/ price/volume/margin disciplines</p> <p> Shaping a winning portfolio</p> <p> Build a high-performance team</p>
<p>4 Talent and high-performance culture</p> <p>Not succeeding in building a high-performance culture and loss of key talent.</p>	<p>The ability of employees to adapt and align with the change required</p> <p>Failing to identify, develop and retain appropriate talent</p> <p>The availability of key skills at an appropriate cost</p> <p>Not meeting transformation and diversity targets</p> <p>The rightsizing of the business could lead to loss of key talent</p>	<p>Learning agility programmes</p> <p>Talent and skills management initiatives</p> <p>Reward systems, including short and long-term incentive schemes</p> <p>Transformation and diversity measurements</p> <p>Change management programmes</p> <p>More focus on training and development</p> <p>Increased employee engagement and job satisfaction surveys</p>	<p> Build a high-performance team</p> <p>Talent calibration</p> <p>Speed to market and innovation</p> <p>Transformation</p> <p>Talent management</p> <p>Skills development</p> <p>Strengthen employer/ employee proposition</p>

CORPORATE GOVERNANCE (CONTINUED)

Principal risk	Specific risks	Mitigation of risk	Link to strategy
<p>5 Input cost volatility</p> <p>Commodity price and exchange rate volatility impacting costs.</p>	<p>The lack of or low availability of agricultural commodities that impacts the supply chain and results in major raw material price volatility</p> <p>Exchange rate volatility, risk and uncertainties associated with the importation of raw materials and equipment as well as the overall competitiveness and profitability of export products</p> <p>Inadequate vine fruit crop to service the market</p> <p>Unanticipated exposure to product input costs due to the exchange rate</p> <p>Risk of lost margin due to volatile soft commodity market</p>	<p>Appropriate resource allocation to procurement and exchange rate transaction responsibility with clear financial controls and review</p> <p>External input in terms of global commodity supply and demand dynamics</p> <p>Foreign exchange risk policies are applied, with input from external parties regarding rate management</p> <p>Optimal carry over stockholding</p> <p>Determine stock positions ahead of pricing increase expectation</p> <p>Robust internal procurement capability and effective strategy and policies</p>	<p> Reset the cost base and step up productivity</p> <p> Build a high-performance team</p>
<p>6 Governance and regulatory compliance</p> <p>The Group has to be able to operate according to a comprehensive suite of compliance requirements.</p>	<p>The inability to manage compliance with ongoing regulatory changes</p> <p>Reputational and financial risk as a result of non-compliance</p> <p>Failure of governance controls making insider trading possible</p>	<p>Training and awareness are continuously provided on a targeted basis across the business</p> <p>Self-governance backed by appropriate policies, systems, procedures and reporting</p> <p>Appointment of skilled technical resources to inform and govern this exposure</p> <p>Monitor and report application/maturity levels and response to applicable regulatory requirements</p> <p>Ensure interpretation and application of decision-making framework at an operational level</p> <p>Controlled access to information</p>	<p> Reset the cost base and step up productivity</p> <p> Build a high-performance team</p>

Principal risk	Specific risks	Mitigation of risk	Link to strategy
<p>7 Transformation</p> <p>Transformation and diversity is key in sustaining and growing the business.</p>	<p>Slow progress could result in talent pipeline shortfalls</p> <p>Disadvantage the organisation's procurement success</p>	<p>Transformation plan and targets monitored from the centre</p> <p>Ensure resourcing levels are appropriate</p> <p>HR policy regulates key compliance aspects, planning tool and business unit planning forums</p> <p>Identification of key skills required</p> <p>Intensive focus on training internal staff</p>	<p> Reset the cost base and step up productivity</p> <p> Build a high-performance team</p>
<p>8 Technology and innovation</p> <p>The consumer environment is increasingly shaped by technology, requiring innovative solutions.</p>	<p>Non- or late adoption may result in efficiency losses and market share decline</p> <p>Leakage and/or exposure of Company confidential information</p> <p>Increased risk of cybercrime</p>	<p>Product innovation strategy and plan directed by executive</p> <p>Manufacturing and procurement forums focus on technology advancement</p> <p>Regular governance review of information and systems security</p> <p>Annual review of IT strategy (structure, skills, technology, hardware, software and systems)</p>	<p> Reset the cost base and step up productivity</p> <p> Build a high-performance team</p>

CORPORATE GOVERNANCE (CONTINUED)

Principal risk	Specific risks	Mitigation of risk	Link to strategy
<p>9 Business interruption</p> <p>Unplanned interruption may lead to production and supply inefficiencies.</p>	<p>Risk of industrial action</p> <p>Dissatisfied and unproductive workforce</p> <p>Fire damage and/or water shortage preventing business activities</p> <p>Decreasing quality of municipal water quality</p> <p>Shortage in key raw material supply</p> <p>Inconsistent electricity supply</p>	<p>Annual negotiation planning:</p> <ul style="list-style-type: none"> • Environmental scan • Strategic mandate to HR • Ongoing monitoring <p>Staff engagement</p> <p>Recognition and reward programmes</p> <p>Talent attraction and retention</p> <p>Culture of discipline, accountability and recognising high performance</p> <p>Disaster recovery plans and testing</p> <p>Quarterly risk management forums</p> <p>Logistics planning and stockholding strategy</p> <p>Continuous employee training on safety, health, environment and quality (“SHEQ”) – fire drills and procedures</p> <p>Installation of backup generators</p> <p>Ensure adequate water supply at all sites in case of fire</p>	<p> Reset the cost base and step up productivity</p> <p> Build a high-performance team</p>

Principal risk	Specific risks	Mitigation of risk	Link to strategy
<p>10 Product safety and contamination</p> <p>As a producer of food and beverage products for human consumption, the Group must ensure that all products are safe.</p>	<p>Food safety risk resulting from product contamination</p> <p>Product contamination impact on consumer health, leading to reputational damage</p> <p>Failure in ingredient risk management</p>	<p>Supplier specifications and food and safety standards, with regular evaluations</p> <p>Quality controls, systems and procedures</p> <p>Compliance with legislation</p> <p>Proactive participation in lobby groups</p> <p>Closer partnership with government bodies</p> <p>Third-party auditing</p> <p>Continuous monitoring of processes, controls and products</p>	<p> Reset the cost base and step up productivity</p> <p> Build a high-performance team</p>

Marsh Risk Services reviews all major risk control programmes throughout the business. A risk control forum, comprising Marsh and the necessary business representatives, meets quarterly to review 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 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 with critical management decision-making processes.

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

CORPORATE GOVERNANCE (CONTINUED)

- 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

During the year, the audit and risk committee approved an investment in a risk management tool which will allow for more robust risk assessment and tracking.

Internal audit

During the previous financial 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 the 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 use 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 appointed to fulfil the external financial auditing function as per the JSE Listings Requirements and the Companies Act.

Internal audit is the custodian of the combined assurance process within Pioneer Foods. Internal audit is formalising the combined assurance model and approach for the Group in a way that will 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.