**CEO REPORT TO THE BOARD OF DIRECTORS**

**1. Report on decisions taken by the Board on 23 August 2016**

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| 10.2.1 | To accept the amended audit findings of the External Auditor in respect of the 2015 Annual Financial Statements, as included in the agenda pack for this Board meeting of23 August 2016.Fourie & Botha were requested to submit an audit plan for 2017 so as to ensure ample time for every role-player to meet the necessary timelines and to avoid misinterpretations of the questionnaires, as quite clearly was the case i.r.o. the 2015 audit on the side of Fourie & Botha. |

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| 10.3.1 | To adopt the proposed recognition of income policy as prepared by the Chairman: Audit & Risk Committee and recommended by the Audit & Risk Committee - with an improvement of the last paragraph, which should stipulate that:i. 28 February will be the last date on which levy returns in respect of the previous and prior years would be accommodated in the previous year's annual financial statements; andii. Levy debtors should be split between known debtors (for which returns had been submitted) and estimated debtors (for role-players who had not submitted returns).The Chair: Audit & Risk Committee was informed as such, and would soon be discussed with PWC in a formal meeting. |

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| 10.5.1 | To accept the financial management statements as on 31 July 2016 as well as the cash flow forecast from 1 July to 31 December 2016.Noted. |

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| 10.8.1 | That the draft risk policy be enriched by the following and approved:* Amending the relevant sentence under "Integrity risk" to use the word "compels" instead of "allows";
* Mentioning Committees and Work Groups of Milk SA alongside the Board of Directors, as the instruments through which good corporate governance was observed and facilitated.

The above-mentioned were effected, and the risk management tools would be developed by the CEO in conjunction with the Audit and Risk Committee. |
| 10.8.2 | That the corporate governance documents (such as policies and terms of references) be scheduled for revision.The CEO's proposal is captured under item 11.5 of this agenda, while certain action was already taken in this regard. |
| 11.6.1 | That the "Policy for cancellation and postponement of Board meetings" be approved, subject to the amendment of the last sentence to read "The Executive Committee would make a recommendation to the Board for postponement / cancellation only in extraordinary events."The change was effected accordingly. |
| 12.2.1 | That the draft Terms of Reference for the Statutory Measures Committee be adopted.The document was signed by the CEO and Chairman and filed. |

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| 14.2.2.1.1 | That the document titled "The important relationship between the South African Dairy Industry and the International Dairy Federation" must be distributed to all role-players.The document was published in the latest *Milk Essay*. |
| 15.2.1 | To re-appoint Mr Van Heerden as a Director of the Board until 31 December 2018.The company records were updated accordingly. |
| 15.3.1 | That documents such as minutes and reports which were available on the Milk SA website, would no longer be included in the Board's agenda.To facilitate this decision, our system developers were requested to create a section on the Milk SA website where the relevant documents can be accessed. |

**2. Activity report**

It was decided by the Board of Directors on 25 November 2015, as follows:

"To request the CEO to limit his report on the main activities to the graph depicting time spent which was included in the agenda pack, unless otherwise required."

The relevant report is included, based on detailed daily records of the CEO's activities.