**CEO REPORT TO THE BOARD OF DIRECTORS**

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

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| 9.2 | That the Office of Milk SA – in conjunction with the Audit & Risk Committee – address the methodology to determine the value of debtors who had not submitted returns; and that the description / definition of the two groups of debtors would also be decided on in conjunction with the Audit & Risk Committee and reported to Exco for finalization.  The CEO developed a "methodology" on 18 February 2017 which is included in this agenda pack under item 10.4.2. The CEO requested the Chairman of the Audit & Risk Committee on 4 March 2017 to evaluate the "methodology" and advise. He was also given the Excel spread sheet with the details of role-players and return information. (Unfortunately, the CEO's work in this regard did not go through the process as described in the decision). |

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| 10.1.1 | That in the “Detailed income statement for the period ended 31 October 2016”, the block in the variance column reflecting the amount of R185 264 for internal audits and the amount of R68 542 which had been allocated to projects, would be retained.  The Audit & Risk Committee was informed as such. |

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| 10.2.1 | That the CEO consult Dr Van Dijk with regard to improving the graph entitled “Number of role-players vs % of Debt” so that it would be easier to read.  The graph had been improved and is included in the pack under item 10.4.1. |

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| 10.3.1 | To clarify whether the amount that needed to be transferred at the end of the regulatory period was the cash in the bank or the total reserves including debtors; and that the CEO and Mr Du Plessis would compare the figures with what was actually happening in the projects, as well as with the four-year financial planning document to determine whether there was a real risk or not.  The NAMC will be approached towards the end of March 2017 by the CEO, relating to the transfer of unused levy funds (2014-2017).  The CEO and the Chairman of the Audit & Risk Committee would meet before this Board meeting to discuss the rest, and report back on March, 15. |

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| 10.4.1 | That Exco would consider and recommend to the Board how the administration costs should be managed to remain within the prescribed 10%.  The most important changes effected by Exco was to allocate 50% of staff remuneration to the project disciplines and to recover overhead costs from the Transformation Department Milk SA. The envisaged spending on Administration for the four years up to 31 December 2017 is 10,4% while it is 9,9% for 2017. |

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| 10.5.1 | That the question of recovering shared costs from the Transformation budget retrospectively be considered by Exco as part of the overall exercise on how to allocate costs, based on the principle of trying to assign costs to where they originated.  The detail of such recovery was discussed with the Work Group of the Internal Management Committee on Transformation (Messrs Prinsloo and Rathogwa); positively considered by Exco and introduced into the budget. |
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| 10.5.2 | To approve the 2017 budget, subject to adjustments which might result from Exco’s consideration.  Noted. The 2017 budget was implemented as adjusted by Exco. |

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| 11.1.1 | To accept the draft differentiation between the responsibilities of the Executive Committee and the Audit & Risk Committee as included in the agenda pack.  Noted. The agendas of the committees were adjusted accordingly. |

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| 11.2.1 | That the follow up internal audit report be accepted; and that the DSA be requested to inform the Board on a timetable for implementation of the recommendations.  The CEO discussed the matter with the Managing Director of the Dairy Standard Agency informally during January 2017 as well as wrote him a formal letter on 3 March 2017. |

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| 11.3.1 | To accept the internal audit report on Skills & Knowledge Development in the Primary Sector i.r.o. 2015 and to congratulate the MPO on the progress made on meeting the internal audit requirements.  On 26 November 2016, the CEO wrote a letter of appreciation to the CEO of the MPO. |

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| 11.5.1 | That the Board take note of the comprehensive list of corporate governance measures, that the Board request that the Terms of Reference for the Internal Auditor and separately the Terms of Office of the Inspector appointed by the Minister be part of this list, of which the target date for completion be at the first Exco meeting on 15 February 2017.  The Terms of References for the Internal Audit function and the functions of Administration of the had been made part of this list by the CEO. The target date was however not reached and draft documents would be discussed by the Statutory Measures Committee on 7 March 2017. |

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| 12.1.1 | To suggest to the applicants for the statutory measures (2018 to 2021) that the deadline for the application to be submitted to the NAMC should be the end of January 2017.  The CEO did not remind the applicants of this suggestion. However, the matter will be discussed under item 12.1 of this agenda. |

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| 13.2.1 | To approve an increase – based on the inflation rate for 2016 – for Milk SA staff members including the Transformation Manager and his secretary.  The accountants had been informed and the increase of 6,6% was effected. |
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| 13.2.2 | That the Human Resources Committee submit their recommendation regarding an increase for the CEO to Exco within fourteen days to make a final decision on behalf of the Board.  The Chairperson of the Humnan Resources Committee can comment if needed. |

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| 13.3.1 | That the composition of the Human Resources Committee be amended to consist of the Chairman of Milk SA, the Chairman of the MPO and the Chairman of SAMPRO, as well as Mr Prinsloo who had vast experience; and that the Committee would from time to time address harmonization.  The composition of the Human Resources Committee was amended on the official system of the Office of Milk SA. |

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| 14.1.1 | To accept the amended Policy on the Financing of Statutory Projects and contracts with acknowledgement of the time put in by the CEOs of Milk SA, SAMPRO and the MPO.  The relevant documents still needed to be signed by the CEO and Chairman for official filing thereof; while they were used for the 2017 project contracts. |

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| 14.2.2.1.1 | To accept the third quarterly report on Enterprise Development with appreciation.  Noted. |

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| 14.2.3.1.1 | To accept the third quarterly summary report on Skills Development, Primary industry sector in a table format, as presented for April to June 2016.  Noted. |

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| 14.2.4.1.1 | To accept the third quarterly summary report on Skills Development, Secondary industry sector.  Noted. |

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| 14.3.1.1 | To accept Dr Coetzee’s Industry Information presentation.  Noted. |

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| 14.3.1.1.1 | To accept the third summary quarterly report on Industry Information with the request that all Milk SA Industry Information publications - including *Lacto Data* - be referred to in future quarterly reports.  Noted. The CEO did not request the Project Manager as such, because the *Lacto Data* was not due in the 3rd quarter. The CEO will however keep an eye to ensure that all the relevant publications are covered in the report. |

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| 14.3.3.1.1 | To accept the Customs & Market Access Report.  Noted. |
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| 14.3.3.1.2 | That a presentation be given on the Customs & Market Access project at the next Annual General Meeting on 31 May 2017.  The Project Manager was requested as such on 3 March 2017. |

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| 14.4.1.1.1 | To request the R&D Management Committee to provide a popular report – and not a detailed report – for Board meeting purposes (pertaining to the R&D Coordination and Facilitation project).  Mr Lok pointed out that the popular report of the R&D Programme Manager for the 2016 year conformed to the requirements. See item 14.3.1.1. |
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| 14.4.1.1.2 | To accept the third quarterly report on R&D Coordination.  Noted. |

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| 14.4.1.2.1 | To adopt the document “Assignment of Research & Development activities among the MPO, Programme Manager and Office of Milk SA”.  The 2017 contract between Milk SA and the MPO was based on this document. |

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| 14.4.2.1.1.1 | To accept the third quarterly summary report on “*Fasciola hepatica*: Impact on Dairy Production and Sustainable Management on Selected Farms in South Africa”.  Noted. |

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| 14.4.2.2.1.1 | To accept the third quarterly summary report on “Integrated control of liver flukes of cattle using botanical extracts and biocontrol agents”.  Noted. |

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| 14.4.3.1.1.1 | To accept the third quarterly summary report on “Investigating alternative methods such as bacteriophages and bacteriocins to control mastitis organisms”.  Noted. |
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| 14.4.3.1.1.2 | That all future R&D reports would be in an easy-to read-format or schedule, listing the steps taken, progress and results.  The CEO of the MPO, responsible for the Administration of R&D as from 2017, was reminded by the CEO of Milk SA of this decision - on 25 November 2016. |

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| 14.4.3.2.1 | To accept the third quarterly summary report on “Perceived resistance to available antibiotics in lactating cows with mastitis”.  Noted. |

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| 14.4.4.1.1 | To accept the third quarterly summary report on “Procedures to evaluate the proteolytic activity in raw milk and the effect of such activity on the alcohol stability of proteins in raw milk”.  Noted. |

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| 14.4.5.1.1 | To accept the third quarterly summary report on “The significance of proteolytic psychrotrophs as a cause of milk flocculation / protein instability”.  Noted. |

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| 14.5.1.1 | To accept the third quarterly summary report of the Dairy Standard Agency, which would in future be captured in three pages.  Noted. The Manageing Director of the Dairy Standard Agency was advised by the CEO of Milk SA to limit his popular reports. |

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| 14.6.1.1 | To accept the quarterly report on Dairy Consumer Education.  Noted. |

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| 15.2.1 | That the Directors below be appointed as indicated:   * Adams, Porchia 2017.01.01 to 2018.12.31 * Lok, Nigel 2017.01.01 to 2018.12.31 * Loubser, Melt 2017.01.01 to 2018.12.31 * Prinsloo, Willie 2017.01.01 to 2018.12.31 * Van Dijk, Chris (Dr) 2017.01.01 to 2018.12.31 * Van Heerden, Jacques 2017.01.01 to 2018.12.31   The persons had been formally appointed by the Members at their General Meeting of 24 November 2016. |

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| 15.3.1 | That the Chairman would remain for the next six months (up to 30 June 2017).  The Chairman took note. |

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| 15.4.1 | To agree that:  a) Milk SA with the support of its two members (the MPO and SAMPRO) should participate in the Dairy Sector task team of the Trade and Industry Chamber of Nedlac – hereafter referred to as “task team”;  b) Milk SA nominate the Transformation Manager and the CEO’s of Milk SA, MPO and SAMPRO as members of the task team referred to under (a) and appoint one of the representatives to act as leader in the discussions of the task team;  c) The representatives referred to under (b), be mandated to participate in the work of the task team on the basis of the factual position captured in the presentation by the Chair of Milk SA to the special meeting of the Trade and Industry Chamber on 14 November 2016, the position explained in the response of Milk SA to the report compiled by OABS for the Department of Trade and Industry, the strategic direction, objectives, work field and legal position of Milk SA, and the views and factual position captured in decisions of the Board of Directors of Milk SA and in the planning and actions of projects of Milk SA;  d) Issues which were, in the view of the representatives referred to under (b), outside the scope of the mandate referred to under (c), be submitted to Milk SA’s Exco who could take a view which the representatives should convey to the task team or who could refer it to the Board of Directors of Milk SA for a decision;  e) The representatives referred to under (b) should, through reports compiled by the CEO of Milk SA, keep Exco and the Board of Directors appropriately informed on the activities of the task team;  f) Deficiencies in the terms of reference of the task team should urgently be conveyed by Exco to the Convenor of Business in the Trade and Industry Chamber of Nedlac.  Noted. See item 15.3 on the agenda for any further discussion. (Nothing had "happened" in the meanwhile). |