REPORT ON REMUNERATION

In order to attract, retain, motivate and incentivise the industry's best and most suitable candidates, the Group acknowledges that it is obliged to offer nationally and internationally competitive remuneration packages.


Clover
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REMUNERATION POLICY

Remuneration philosophy

The objective of Clover's Group Remuneration Policy ("Remuneration Policy") is to ensure that the Group attracts and retains key people (specifically high-quality Executive and senior management members as required by the Board) in order to generate a sustainable return on investment for shareholders. This will enable the Board to fulfil its role and obligations as a corporate citizen sustainably. The Remuneration Policy does so by means of establishing remuneration practices that are fair, reasonable and market-related.

The Remuneration Policy follows the internationally recognised practice of combining short-term remuneration with long-term incentives in order to compete for skilled resources in the short-term and align the interests of Executive and senior management with long-term value creation for stakeholders.

The Remuneration Policy is based on the following key principles:

- Remuneration should support the Group's strategies and be consistent with the organisation's culture of fairness and equity.
- Remuneration should support the Group's vision to be the most admired branded consumer goods company in emerging markets by attracting and retaining the appropriate talent.
- Remuneration should directly correlate with the growth objectives and financial performance targets and actual achievements of the business of the Group.
- Remuneration should be reviewed and benchmarked regularly through independent external professional service providers to ensure that the Group remains competitive in the diverse markets in which it operates, not applying percentiles rigidly but taking into account industry type, skills scarcity, performance, and legislative structures and requirements.
- Remuneration should motivate and allow for differentiation (i.e. reward high performers).
- Individual contribution based on the role and responsibilities should have a direct bearing on the levels of remuneration.

Governance

The Remuneration Committee takes an active role in reviewing the remuneration philosophy, policy, strategy and practices for alignment to best practice and the strategic imperatives of the Group.

The remuneration structure for all employees who are not Executives is determined and approved by the Executive Committee.

Remuneration mix

General

Clover's remuneration structure comprises the following:

- Guaranteed package ("GP")
- Short-term incentives ("STIs")
- Long-term incentives ("LTIs")

Differentiation between Paterson Grades

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

Guaranteed package

GP considerations:

- Employment profile based on competencies, outputs and behaviour required for the position.
- The employment profile must fit within the organisational structure and an appropriate employment grade should be assigned.
- Regular benchmarking exercises are performed internally and externally to ensure equity, fairness and market relatedness.
- Guaranteed packages are reviewed annually in May and are revised on 1 July of each year.
- Interim reviews of the guaranteed packages are undertaken to retain talent, to take into account market adjustments or upon promotion of employees.

Composition of GP:

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

Medical aid considerations:

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

Scarce skills are identified annually and where scarcity is as a result of demand outstripping supply, a strategy is put in place to reduce the risk to the business or Group. Where scarcity is due to a unique combination of skills and experience required, deliberate efforts are made to build a talent pool around the scarce individual to reduce the risk to the business or Group.

Management has introduced an "S" category of employee to reduce the risk of losing employees with highly specialised skills. The total remuneration package applied to this category of employee is targeted at the top-end of the market (90th percentile) range and includes a specialised discretionary retention bonus (8% of annual basic salary) which is payable at the end of every financial year provided that the necessary performance criteria are met by the individual.

Short-term incentives

Short-Term Incentive Scheme

- STIs are designed to drive improvement of the Group's results on an annual basis.
- Previously, 50% of STIs were determined by individual performance and 50% by the extent to which the Group's profit target has been reached. Following a benchmarking exercise conducted by PricewaterhouseCoopers ("PWC") the Remuneration Committee resolved that with effect from 1 July 2012:
  - 30% of the Chief Executive's and Chief Financial Officer's STIs will be determined by individual performance and 70% by the extent to which the Group achieves its profit targets.
  - For other Executives, 40% of the STIs will be determined by individual performance and 60% by the extent to which the Group achieves its profit targets.
  - For all other employees (except for Paterson Grade D1 and D2 as set out in the table below) participating in STIs, 50% of the STIs will be determined by individual performance and 50% by the extent to which the Group's profit target has been achieved.
- The portion relating to individual performance and the Group's profit target is capped as set out in the table below.
- When applying STIs, the following differentiation between Paterson Grades F, E and D exists with effect from 1 July 2012.

Paterson Band	Individual performance	Group profit	Individual performance cap	Group profit cap	Entitlement (months base salary**)	Maximum entitlement (months base salary)*	Profit target
D1 – D2	75%	25%	100%	200%	2	2.5	Operating profit
D3 – D5	50%	50%	100%	200%	3	4.5	Operating profit
E	50%	50%	100%	200%	5	7.5	Operating profit
Other Executives***	40%	60%	100%	183%	10	15	Attributable profit
Chief Financial Officer	30%	70%	100%	171%	10	15	Attributable profit
Chief Executive	30%	70%	100%	171%	12	18	Attributable profit

* *For example, if the Chief Executive achieves a 100% individual performance bonus and a 171% Group profit bonus the Chief Executive will be able to earn 18 months' additional income (i.e. 150% of his annual base salary).*

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

*** *50% of Elton Bosch's short-term incentive will be based on individual performance and 50% by the extent to which the Group's profit targets have been reached. This will apply for the first two years of his employment. Marcelo Palmeiro will be entitled to a maximum fixed amount of R800 000 to the extent that the Group's profit target is met and R400 000 to the extent that the individual targets are met.*

- STIs for Paterson Grade F (Executives) are calculated using attributable profit, whereas STIs for Paterson Grades E and D are calculated using operating profit before restructuring cost.
- The Group's profit target for Executives (reflected as attributable profit) is triggered once 90% of the profit target is reached. If the profit is greater than the profit target, a 2% additional bonus will be paid for every 1% achieved over the profit target.
- The Group's profit target Paterson Grade E and D (reflected as operating profit) is triggered once 95% of the profit target is reached. If the profit is greater than the profit target, a 1% additional bonus will be paid for every 1% achieved over the profit target.
- STIs are self-funded since all bonuses are budgeted for in full before the profit target is approved by the Remuneration Committee.
- The Remuneration Committee annually approves the profit targets and confirms the final profit figure after the annual audit is completed; followed by bonus payments in August and/or September each year if applicable.
- Adjustments may be made for extraordinary factors at the sole and absolute discretion of the Remuneration Committee.
- Employees who have been found guilty of gross misconduct will not be entitled to participation in STIs.
- Due to the agricultural nature of the Group's business, the Remuneration Committee will have discretion in awarding bonuses should cyclicality (which is beyond the control of employees) have played an integral part in the Group not achieving its required profit targets.
- Processes have been put in place to manage and guide employees to achieve the maximum bonus (and relevant profit targets) by means of quarterly performance management sessions on an individual basis.

Merit bonus

- A merit bonus is paid to employees on Paterson Grade C who score an annual performance rating of 4 or 5.
- The merit bonus is calculated as a percentage of annual basic salary and is paid together with the 13th cheque.

Long-term incentive

Long-term Incentive Scheme

- The LTI is a deferred bonus scheme, which serves as a retention mechanism and rewards senior management (Paterson Grades E and certain D5 employees) for adding value to the businesses of the Group.
- Provided that the attributable profit target is met, a percentage of annual base salary are paid out in equal amounts over a three-year period.
- If the attributable profit targets are met the participants qualify for the following bonuses:

Target achieved	Bonus Payable
Attributable profit target as per budget	20% of annual base salary
Attributable profit target as per budget plus 10%	40% of annual base salary
Attributable profit target as per budget plus 20%	60% of annual base salary

* *For Paterson Grade the base salary consists of the employees' monthly basic salary, plus 22% car allowance plus 10% pension fund contribution.*

- The LTI is governed by rules which are regularly reviewed and updated by the Executive Committee as necessary for alignment with best practice.

Share Appreciation Rights Scheme ("SAR Scheme")

- The purpose of the SAR Scheme is to attract, retain, motivate and reward the Group's Executives (Paterson Grade F) who are able to influence the performance of the Group, by aligning their interests with those of shareholders.
- The Group's Executives are eligible for participation in the SAR Scheme.
- The eligibility criteria, the quantum of allocations and the conditions governing each allocation are determined by the Remuneration Committee taking into consideration the following:
  - Seniority within the Group.
  - Work function.
  - Ability of the executive to add value to the Group and its businesses.
- Notwithstanding the aforementioned, in calculating the number of share appreciation rights ("SARs") to be allocated to an Executive, the following market-related formula was used (excluding the initial allocation as set out on page 62).

  A = (B x C)/D

  Where:

A	The total number of SARs to be allocated
B	Guaranteed Package of the Executive (or participant).
C	Market-related multiples (for the Chief Executive the multiple is 8, for the Deputy Chief Executive and the Chief Financial Officer the multiple is 6 and for other executives the multiple is 4).
D	The volume weighted average price of an ordinary share on the JSE over seven trading days immediately prior to the allocation price.

- Following the benchmarking exercise conducted by PwC, the Remuneration Committee resolved with effect from 1 July 2012 that the smoothed average face value allocation formula (set out below) will be used when allocating SARs to an Executive:

  A = (B x C)/D

  Where:

A	The total number of SARs to be allocated
B	Guaranteed Package of the Executive (or participant).
C	Market-related multiples set out below.
D	The volume weighted average price of an ordinary share on the JSE over seven trading days immediately prior to the allocation price.

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

- The SAR Scheme rules were amended during the previous financial year to make provision that all SARs:
  - Allocated on or after 1 July 2011 and that have vested must be exercised by the Executive on or before the seventh anniversary of the relevant allocation date relating to such allocation of SARs.
  - Allocated on or before 1 July 2011 will vest in full after the third anniversary of the allocation date, provided that the relevant performance criteria were met.
- The SAR Scheme is governed according to rules approved by the Company's shareholders in November 2010.
- All SARs allocated on 1 July 2012 will be subject to the following performance criteria:
  - 25% will be subject to personal performance conditions to be set and measured by the Chief Executive for each of the Executives, provided that the Chief Executive will make a recommendation regarding the vesting of the 25% of the allocation to the Remuneration Committee for each of the Executives.
  - 75% will be subject to Company (financial) performance conditions set out below:
    - The headline earnings per share must exceed the previous four years' headline earnings per share plus the average inflation rate over the previous four years plus 2% growth.
    - The vesting of the 75% portion of the allocation will be based on a sliding scale whereby 30% of the allocation will vest when headline earnings per share growth above the average inflation rate is achieved and 100% will vest if headline earnings per share is increased by a minimum of 2% above inflation.
- All SARs allocated on or after 1 July 2013 will be subject to the following performance criteria:
  - 25% of the SARs allocation will be subject to personal performance conditions to be set and measured by the Chief Executive for each of the Executives, provided that the Chief Executive will make a recommendation regarding the vesting of the 25% of the allocation to the committee for each of the Executives; and
  - 75% of the SARs allocation will be subject to the Company's (financial) performance conditions set out below:
    - The headline earnings per share for the year (in which the vesting is supposed to take place) must exceed the previous year's headline earnings per share plus annual inflation rate (for the period 1 July to 30 June) plus 2% growth.
    - The vesting of the 75% portion of the SARs allocation will be based on a sliding scale whereby 30% of the allocation will vest when headline earnings per share growth above or equal to the annual inflation rate is achieve and 100% of the allocation will vest if headline earnings per share is increased by a minimum of 2% of the annual inflation rate.
- In the event of any transaction whereby any person or persons acting in concert, other than the Stabilisation Trust (now known as Clover's Milk Producers Trust) and/or Executives (participants), acquire (whether directly or indirectly) 30% of the entire ordinary issued share capital of the Company, then the vesting of all SARs held by Executives (participants) shall immediately vest and all SARs shall (whether or not dates in respect thereof have passed and/or the performance criteria, if any, in respect thereof have been met) be exercisable on the basis that Executives (participants) shall on exercise be settled in accordance with the SAR Scheme.

Regulatory

This Remuneration Policy is to be read in conjunction with the Company's letter of appointment, disciplinary code, Ethics Policy applicable employment legislation (specifically the Basic Conditions of Employment Act and Labour Relations Act) as well as the Company's short-term and long-term incentive scheme rules.