REMUNERATION REPORT

Clover's Group Remuneration Committee ('the Remuneration Committee') is a sub-committee of the Board and oversees the approach to and governance of remuneration matters. It also determines the remuneration of Executive Directors, other executives as well as the remuneration of Non-executive Directors, which is ultimately approved by shareholders.

This Remuneration Report ('the Report') primarily deals with the remuneration of Clover's Executive Directors, Non-executive Directors and other executives.

Details on Remuneration Committee members, meetings and attendance are set out in the Corporate Governance section of this integrated annual report, on pages 42 to 55. The Group's Remuneration Policy is set out on pages 58 to 60

Remuneration approach – executives

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.

The Remuneration Committee utilises external market surveys and benchmarks in order to determine Executive remuneration and benefits as well as the base and attendance fees for Non-executive Directors. Clover's remuneration philosophy seeks to align and link both short- and long-term incentives to the achievement of business objectives and the delivery of an acceptable return on shareholders' equity whilst ensuring the sustainability of the Company. Remuneration packages are therefore linked to the achievement of these objectives.

Executive remuneration structures (including those of Executive Directors) comprise both guaranteed and variable components as set out and explained below:

Guaranteed package	Monthly base salary and benefits such as motor vehicle allowance, retirement funding and medical aid assistance.
Variable package consist of:	
Short-term incentives	All cash-based payments that are paid to an individual based on the Group's financial performance and individual performance respectively over the preceding financial year.
Long-term incentives	All cash- and equity-based awards that accrue to an individual based on the Group's financial performance individual performance respectively over a financial period.

Guaranteed package (GP)

Executive GP is benchmarked regularly using market data for individual salary levels for similar positions in the market place. This information, together with individual performance assessments, forms the base for annual salary reviews.

Although Clover endeavours to remunerate its entire workforce at a level ranging in the median to upper quartile compared to its peers, it has no restriction on Executive GP. The Remuneration Committee has the requisite discretion to determine Executive GP and takes cognisance of factors such as retention, contribution and skill levels.

Executives are able to participate in a defined contribution retirement fund and other benefits include vehicle allowances, medical insurance, death and disability insurance, leave and recognition for service.

Variable package

The variable package consist of the:

1. short-term incentives.
2. long-term incentives.

Short-term incentives (STIs)

Executives' participation in STIs is linked to the achievement of profit growth targets and personal performance measures. The complete workings of the STIs is set out in the Remuneration Policy on page 59 more specifically the table set out on page 59.

Long-term incentives (LTIs)

Clover's Management Participated Capital Restructuring Exercise (MPCRE) which was approved by shareholders on 31 May 2010, changed the nature of the Group's preference shares from profit-sharing instruments to pure debt instruments carrying rights to a guaranteed dividend only.

This impacted on the value of the preference shares by eliminating any value upside. Consequently, an award of preference shares to Clover's employees in terms of its preference share incentive scheme no longer incentivised employees or aligned their interests with those of ordinary shareholders.

As a result, shareholders approved the adoption of the Clover Share Appreciation Rights Plan (2010) (SAR Scheme) on 31 May 2010. The SAR Scheme was subsequently amended on 4 November 2010 and 10 November 2011.

The initial allocation referred to below, formed part of the MPCRE.

Under the SAR Scheme, the aggregate number of ordinary shares which may be acquired by the Executives may not exceed 16 million ordinary shares. At 30 June 2013, a total of 3 366 722 ordinary shares have been issued to Executives, with the balance of 12 633 278 ordinary shares remaining available for issue.

The salient features of the SAR Scheme, which complies with the JSE Listings Requirements, are set out in the Remuneration Policy, which can be found on pages 58 to 60 of this integrated annual report.

Allocations made in terms of the SAR Scheme

Initial Allocation (MPCRE)

	Number of SARs allocated**	Allocation date	Allocation price	Total number of SARs exercised as at 30 June 2013	Total number of ordinary shares issued to settle SARs exercised at 30 June 2013
Executive Directors					
JH Vorster	4 587 200	31 May 2010	R4,67	Nil	Nil
HB Roode* **	2 616 762	31 May 2010	R4,67	872 254	650 751
LJ Botha	2 443 140	31 May 2010	R4,67	Nil	Nil
CP Lerm (Dr)	2 454 758	31 May 2010	R4,67	818 253	610 463
Other Executives					
H Lubbe	2 027 236	31 May 2010	R4,67	675 745	504 144
JHF Botes (Dr)*	1 370 904	31 May 2010	R4,67	456 968	340 924

* *The Board recommended to shareholders that 500 000 ordinary shares be issued at a subscription price of R4,67 to Dr JHF Botes in exchange for which 500 000 SARs will be cancelled. Shareholders approved the aforementioned issue of ordinary shares to Dr JHF Botes on 4 November 2010 and the 500 000 SARs were cancelled accordingly.*

** *As a result of the subdivision of the ordinary shares on a two-for-one basis during the listing process, the number of SARs allocated was doubled accordingly.*

*** *The Group Remuneration Committee resolved during the 2012 financial year (in accordance with paragraph 6.1.1.5 of the rules governing the SARs Scheme) that all SARs allocated to Manie Roode during the Group's MPCRE (known as the initial allocation) will vest on 30 June 2013 (irrespective of whether the vesting dates thereof have been reached). It is recorded that HB Roode retired due to medical reasons on 30 June 2013. On 1 July all the remaining SAR on the above scheme was exercised by HB Roode.*

(a) Vesting

The SARs allocated as part of the Initial Allocation will vest in three equal tranches on the expiry of three, four and five years from 31 May 2010.

(b) Performance criteria

In terms of the Initial Allocation, no performance criteria have to be met prior to the vesting of the SARs.

(c) General

The SARs relating to the Initial Allocation was allocated to Executives as part of the MPCRE of the Group and in accordance with the SAR Scheme will not be taken into consideration when determining future SARs allocations to Executives.

Second Allocation

A second allocation of SARs under the SAR Scheme took place *in lieu* of bonus payments during the 2010 financial year as indicated below:

	Total number of SARs allocated	Allocation date	Allocation price	Total number of SARs vested as at 30 June 2013	Total number of SARs exercised as at 30 June 2013
Executive Directors					
JH Vorster	800 000	18 August 2010	R0,00	533 333	533 333
HB Roode	400 000	18 August 2010	R0,00	266 667	266 667
LJ Botha	400 000	18 August 2010	R0,00	266 667	133 333
CP Lerm (Dr)	133 336	18 August 2010	R0,00	88 890	88 890
Other Executives					
H Lubbe	133 332	18 August 2010	R0,00	88 888	88 888
JHF Botes (Dr)	133 332	18 August 2010	R0,00	88 888	88 888

(a) *Vesting*
The SARs allocated as part of the Second Allocation will vest in three equal tranches on the expiry of one, two and three years from 18 August 2010.

(b) *Performance criteria*
No performance criteria have to be met prior to the vesting of the SARs relating to the Second Allocation.

(c) *General*
Certain of the Executives exercised the SARs that vested on 18 August 2011 and 18 August 2012 in relation to the Second Allocation. The Group Remuneration Committee decided that all SARs exercised to date with regard to the Second Allocation will be settled in cash.

Third Allocation

	Number of SARs allocated	Allocation date	Allocation price
Executive Directors			
JH Vorster	821 256	1 July 2011	R11,00
LJ Botha	404 063	1 July 2011	R11,00
CP Lerm (Dr)	1 119	1 July 2011	R11,00
Other Executives			
H Lubbe	57 778	1 July 2011	R11,00
JHF Botes (Dr)	330 723	1 July 2011	R11,00

(a) *Vesting*
The SARs allocated as part of the Third Allocation will vest in full after the expiry of three years from 1 July 2011.

(b) *Performance criteria*
The following performance criteria has to be met prior to the vesting of the SARs relating to the Third Allocation:

- Over a four-year cycle the total normalised attributable profit must exceed that of the previous four-year cycle.

(c) *General*
In the event that this performance criteria is not met prior to the vesting of the SARs, the portion of allocated SARs eligible for vesting will be forfeited. In addition, all SARs allocated as part of the Third Allocation and all subsequent allocations which 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.

Allocation to newly appointed executives

An allocation was made to ER Bosch and MM Palmeiro who were appointed by the Group as Executives with effect from 1 June 2012 and 1 October 2012, respectively.

Executive	Number of SARs allocated	Allocation date	Allocation price
ER Bosch	953 620	1 June 2012	R13,50
MM Palmeiro	925 500	1 October 2012	R15,15

(a) Vesting

The SARs allocated as part of this allocation will vest in three equal tranches on the expiry of three, four and five years from 1 June 2012 and 1 October 2012, respectively.

(b) Performance criteria

No performance criteria have to be met prior to the vesting of the SARs relating to this allocation.

(c) General

The primary purpose of the allocation to ER Bosch and MM Palmeiro is to serve as a retention mechanism, therefore no performance criteria have to be met prior to the vesting date.

Fourth Allocation

	Number of SARs allocated	Allocation date	Allocation price
Executive Directors			
JH Vorster	1 036 716	1 July 2012	R13,73
LJ Botha	533 657	1 July 2012	R13,73
CP Lerm (Dr)	389 123	1 July 2012	R13,73
Other executives			
H Lubbe	389 123	1 July 2012	R13,73
JHF Botes (Dr)	389 123	1 July 2012	R13,73

(a) Vesting

The SARs allocated as part of the Fourth Allocation will vest in full after the expiry of three years from 1 July 2012.

(b) Performance criteria

The following performance criteria have to be met prior to the vesting of the SARs relating to the Fourth Allocation:

- 25% of the 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 Remuneration Committee for each of the Executives.
- 75% of the allocation will be subject to the Group (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.

(c) General

In the event that the above performance criteria are not met prior to the vesting of the SARs, the portion of allocated SARs eligible for vesting will be forfeited. In addition, all SARs allocated relating to the Fourth Allocation and all subsequent allocations, which 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.

Hedging of SARs

The Third Allocation of SARs has been hedged. Refer to note 14.2 of the annual financial statements on page 137 for further details.

Employment contracts for Executives

The notice period for termination of the contract of employment of Executives is six months.

Loans to Executives

As part of the MPCRE on 31 May 2010 (and on 4 November 2010 with regard to Dr JHF Botes), respectively, the Executives subscribed and shareholders of the Company approved the allotment and issue to the Executives of 9 350 000 (on 31 May 2010) and 250 000 (on 4 November 2010 with regard to Dr JHF Botes) ordinary shares at a subscription price of R9,34 per share, with a portion of the subscription price being lent to the Executives. However, the aforementioned allotment and issue sets out the position prior to the subdivision of shares approved on 4 November 2010.

Full details relating to the MPCRE are available on www.clover.co.za.

The salient features of the loan and cession agreements entered into between the executives and the Company are set out below:

- As security for the indebtedness, the Executives have ceded to the Company the ceded rights (defined as being all rights, title and interest in and to the proceeds) in respect of the ordinary shares (issued to them as referred to above) and the preference shares acquired through the Clover preference shares scheme in respect of the proceeds thereof (defined as being dividends, special distributions, redemption proceeds and any proceeds as a result of a disposal or sale of either the ordinary and/or preference shares referred to above, or any part thereof).
- Interest shall accrue on the outstanding balance of the loan amount at an interest rate equal to 90% of the prevailing prime interest rate charged by Absa Bank Limited.
- If an Executive leaves the employ of the Company for any reason whatsoever, he shall be obliged to repay the loan amount and interest or the balance thereof, within two months after termination of his employment.
- If an Executive dies, the loan amount and interest or the balance thereof, shall be repaid to the Company within six months after his death.

It should be noted that the aforementioned loan agreements have been amended to make provision for a final repayment date of the respective loans linked to the normal retirement date for each of the Executives.

The table below reflects the outstanding balances of the loans on 30 June 2011, 30 June 2012 and 30 June 2013 respectively:

		Loan	
Executive Director/Other Executives	**30 June 2011**	**30 June 2012**	**30 June 2013**
Executive Directors			
JH Vorster	R26 509 496	R25 822 256	R25 537 461
HB Roode	R19 176 720	R11 620 942	Nil
CP Lerm (Dr)	R12 037 292	R11 717 994	R6 773 944
LJ Botha	R5 635 941	R5 330 249	Nil
Other executives			
H Lubbe	R1 000 606	R929 989	Nil
JHF Botes (Dr)	R2 411 574	R2 452 661	R2 536 148
Total	R66 771 629	R57 874 091	R34 847 553

The value of the ordinary shares forming the basis of the loan and cession agreements referred to previously is well in excess of [R250 million, calculated on an ordinary share price of [R13,50].

Remuneration approach for Non-executive Directors

It is the Group's policy to identify, attract and retain Non-executive Directors who can add significant value to Clover. For this reason, non-executive fees are competitive and in the upper quartile. Attendance fees are only paid for actual committee meetings attended.

The Chairman of the Board, Werner Büchner, and the Lead Independent Director, Tom Wixley will not receive additional remuneration should they serve on any sub-committee of the Board, since they receive a fixed annual fee.

The fees payable to Non-executive Directors for the 2014 financial year will be proposed for consideration and approval at the 2013 Annual General Meeting.

Total remuneration and benefits payable to Directors and prescribed officers

The Board considered the requirements of the Companies Act with regard to the disclosure of the remuneration of Directors and prescribed officers. After careful consideration it was concluded that all members of the Executive Committee are deemed to be prescribed officers.

A complete table setting out the total remuneration of directors and prescribe officer can be found in note 33.1 to the Annual Financial Statements on page 166 to 167 of this Integrated Report.

Interest of Directors and other Executives of the company in ordinary share capital

A complete table setting out the interest of directors and prescribed officers of the Company in the ordinary share capital can be found in note 33.3 to the Annual Financial Statements on page 170 of this Integrated Report.

Dr Steve Booysen