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**CLOVER INDUSTRIES LIMITED**  
**REMUNERATION COMMITTEE**  
**TERMS OF REFERENCE**

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## 1. INTRODUCTION

The Remuneration Committee (“Committee”) is constituted as a committee of the board of directors (“Board”) of Clover Industries Limited (“Company and/or Group”). The duties and responsibilities of the members of the Committee are in addition to those as members of the Board.

These terms of reference are subject to the provisions of the Companies Act, 2008 (as amended), the Company’s Memorandum of Incorporation and any other applicable law or regulatory provision, including the JSE Listing Requirements and the King IV Report on Corporate Governance for South Africa, 2016 (“King IV”). Where these terms of reference transgress legislation and/or rules of the Companies Act, that legislation and/or regulation takes precedence over the Charter.

## 2. PURPOSE

The purpose of these terms of reference is to set out the Committee’s role and responsibility as well as the requirements for its composition and meeting procedures.

## 3. PHILOSOPHY

The Committee aims, by means of fair, reasonable and market related remuneration practices, to ensure that the Group attracts and retains key people (specifically executives and senior management members of the quality required by the Board) required for delivering Group results and business goals.

The Group 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 to align executives and senior management with the long-term value creation for shareholders.

The Policy is based on the following key principles: -

- Remuneration must support the Group’s strategy, 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 right talent.
- Remuneration should have a direct correlation with the growth plans and financial performance of the businesses of the Group.
- Remuneration should be reviewed and benchmarked bi-annually through external independent professional local service providers to ensure 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. rewarding high performers).

- Individual contribution based on the role and responsibilities should have a direct bearing on the levels of remuneration.

#### **4. COMPOSITION**

- 4.1 The Committee should comprise of at least three non-executive directors, a majority of whom should be independent non-executive directors.
- 4.2 The members of the Committee must have sufficient qualifications and experience to fulfil their functions.
- 4.3 The Chairman of the Committee shall be appointed by the Board, from its members, and shall be an independent non-executive director.

#### **5. ROLE**

The role of the Committee should be to ensure that the Company remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

#### **6. RESPONSIBILITIES**

##### **6.1 Remuneration of Executive Directors**

- 6.1.1 The Committee is to approve the remuneration of the Chief Executive, and the other members of the executive committee (which includes executive directors).
- 6.1.2 To ensure that the levels of remuneration (basic salary, performance bonuses, share incentives, pensions and other benefits) are sufficient to attract retain and motivate executives of the quality required by the Board.
- 6.1.3 To ensure that the Company's executives are fairly rewarded for their individual contributions to the Company's overall performances.
- 6.1.4 Determine any criteria necessary to measure the performance of executives in discharging their functions and responsibilities.
- 6.1.5 Performance-related elements of remuneration must constitute a substantial portion of the total remuneration package of executives in order to align their interests with the shareholders, and be designed to provide incentives to perform at the highest operational standards.
- 6.1.6 The Committee will determine any grants to executives made pursuant to the Company's Share Appreciation Rights Plan.
- 6.1.7 Recommend for approval any share and other incentive schemes for executives as required in terms of any applicable laws and/or regulations.

##### **6.2 Remuneration of Non-Executive Directors**

- 6.2.1 The Committee must also recommend to the full Board, and to the shareholders, the fees to be paid to each non-executive director. In this process the Committee must take note of market norms and practices.
- 6.2.2 Whatever the frequency with which non-executive director fees are reviewed, the review should take place at a different time of year from the review of executive directors' salaries and should be, and be seen to be, a completely separate process.
- 6.2.3 The fees paid to individual non-executive directors should be a fair reflection of the contribution which they make to the company and the time they give to the company's affairs, for example, as members of Board committees.
- 6.2.4 The Committee must also ensure that the non-executive directors are fairly reimbursed for all direct and indirect expenses reasonably and properly incurred (e.g. accommodation, travelling, office, secretarial).

### **6.3 Remuneration Policy**

- 6.3.1 The Committee should assume responsibility for the governance of remuneration by setting the direction for how remuneration should be approached and addressed on an organisation-wide basis.
- 6.3.2 The Committee should approve policy that articulates and gives effect to its direction on fair, responsible and transparent remuneration
- 6.3.3 The remuneration policy should address organisation-wide remuneration and include provision for the following specifically:
  - i. Arrangements towards ensuring that the remuneration of executive management is fair and responsible in the context of overall employee remuneration in the organisation;
  - ii. The use of performance measures that support positive outcomes across the economic, social and environmental context in which the organisation operates; and/or all the capitals that the organisation uses or affects; and
  - iii. the voting by shareholders on the remuneration policy and implementation report, and for the implementation of related responding measures as outlined under Voting on Remuneration below.
- 6.3.4 The Committee should oversee that the implementation and execution of the remuneration policy achieves the objectives of the policy.

## 6.4 Reporting

6.4.1 The Committee should oversee the preparation of the remuneration report and recommend the remuneration report to the Board, which should be included in the annual integrated report.

### 6.4.2 Structure of Remuneration Report

6.4.2.1 The Committee should ensure that the remuneration report is disclosed in three parts:

6.4.2.1.1 A background statement;

6.4.2.1.2 An overview of the main provisions of the remuneration policy; and

6.4.2.1.3 An implementation report which contains details of all remuneration awarded to individual members of the Board and executive management during the reporting period.

### 6.4.3 Background statement

The background statement should briefly provide context for remuneration considerations and decisions, with reference to:

- i. internal and external factors that influenced remuneration;
- ii. the most recent results of voting on the remuneration policy and the implementation report and the measures taken in response thereto; and
- iii. key areas of focus and key decisions taken by the remuneration committee during the reporting period, including any substantial changes to the remuneration policy;

### 6.4.4 Overview of remuneration policy

The overview of the main provisions of the remuneration policy should address the objectives of the policy and the manner in which the policy seeks to accomplish these. The overview should include the following:

- i. The remuneration elements and design principles informing the remuneration arrangements for executive management and, at a high level, for other employees.
- ii. Details of any obligations in executive employment contracts which could give rise to payments on termination of employment or office.
- iii. A description of the framework and performance measures used to assess the achievement of strategic objectives and positive outcomes, including the relative weighting of each

performance measure and the period of time over which it is measured.

- iv. An illustration of the potential consequences on the total remuneration for executive management, on a single, total figure basis, of applying the remuneration policy under minimum, on-target and maximum performance outcomes.
- v. An explanation of how the policy addresses fair and responsible remuneration for executive management in the context of overall employee remuneration.
- vi. The use and justification of remuneration benchmarks.
- vii. The basis for the setting of fees for non-executive directors.
- viii. A reference to an electronic link to the full remuneration policy for public access.

#### 6.4.5 Implementation report

The implementation report, which includes the remuneration disclosure in terms of the Companies Act 2008, should reflect the following:

- i. The remuneration of each member of executive management, which should include in separate tables:
  - a. a single, total figure of remuneration, received and receivable for the reporting period, and all the remuneration elements that it comprises, each disclosed at fair value;
  - b. the details of all awards made under variable remuneration incentive schemes in the current and prior years that have not yet vested, including the number of awards; the values at date of grant; their award, vesting and expiry dates (where applicable); and the fair value at the end of the reporting period; and
  - c. the cash value of all awards made under variable remuneration incentive schemes that were settled during the reporting period.
- ii. An account of the performance measures used and the relative weighting of each, as a result of which awards under variable remuneration incentive schemes have been made, including: the targets set for the performance measures and the corresponding value of the award opportunity; and for each performance measure, how the organisation and executive managers, individually, performed against the set targets.

- iii. Separate disclosure of, and reasons for, any payments made on termination of employment or office.

## 6.5 Voting on remuneration

- 6.5.1 In terms of the Companies Act 2008, fees for non-executive directors for their services as directors must be submitted for approval by special resolution by shareholders within the two years preceding payment.
- 6.5.2 The remuneration policy and the implementation report should be tabled every year for separate non-binding advisory votes by shareholders at the Annual General Meeting.
- 6.5.3 The remuneration policy should record the measures that the Board commits to take in the event that either the remuneration policy or the implementation report, or both have been voted against by 25% or more of the voting rights exercised. Such measures should provide for taking steps in good faith and with best reasonable effort towards the following at a minimum:
  - 6.5.3.1 An engagement process to ascertain the reasons for the dissenting votes;
  - 6.5.3.2 Appropriately addressing legitimate and reasonable objections and concerns raised, which may include amending the remuneration policy, or clarifying or adjusting remuneration governance and/or processes.
- 6.5.4 In the event that either the remuneration policy or the implementation report, or both were voted against by 25% or more of the voting rights exercised, the following should be disclosed in the background statement of the remuneration report succeeding the voting:
  - 6.5.4.1 with whom the company engaged, and the manner and form of engagement to ascertain the reasons for dissenting votes; and
  - 6.5.4.2 the nature of steps taken to address legitimate and reasonable objections and concerns.

## 7. AUTHORITY

The Committee acts in terms of the delegated authority of the Board as recorded in these terms of reference. It has the power to investigate any activity within the scope of its terms of reference.

The Committee, in fulfilment of its duties, may call upon the chairmen of the other Board committees, any of the executive directors, officers or company secretary to provide it with information required.

The Committee has the right to obtain independent outside professional advice to assist with the execution of its duties, at the Company's cost.

## **8. MEETING PROCEDURES**

### **8.1 Frequency**

The Committee must hold sufficient scheduled meetings to discharge all its duties as set out in these terms of reference but subject to a minimum of 2 (two) meetings per financial year.

Meetings in addition to those scheduled may be held at the request of the Chief Executive, the Executive: Human Resources or at the instance of the Board.

The chairman of the Committee may meet with the Chief Executive, the Executive: Human Resources and/or the company secretary prior to a Committee meeting to discuss important issues and agree on the agenda.

### **8.2 Attendance**

The Chief Executive and/or the Chief Financial Officer and/or the Executive: Human Resources or other members of senior management as may be required, assurance providers, professional advisors and other Board members may be in attendance at Committee meetings by invitation only.

If the nominated chairman of the Committee is absent from a meeting, the members present must elect one of the members present to act as chairman.

The company secretary is the secretary to this Committee

### **8.3 Agenda and Minutes**

An agenda, together with supporting documentation, must be circulated, at least one week prior to each meeting to the members of the Committee and other invitees.

It is envisaged that the following meetings be held with specific agenda items as detailed in workplan of the Committee attached hereto as annexure "A".

Committee members must be fully prepared for Committee meetings to be able to provide appropriate and constructive input on matters for discussion.

The minutes of the meeting must be completed as soon as possible after the meeting and circulated to the chairman and members of the Committee for review thereof. The minutes must be formally approved by the Committee at its next scheduled meeting.

### **8.4 Quorum and Decisions of the Committee**

A representative quorum for meetings is at least two members being present in person or through telecommunication.



All decisions and/or resolution of the Committee shall be passed by a majority of the votes of the members present (in person or through telecommunication) at the meeting, provided that a quorum is present (in person or through telecommunication).

In the event of an equality of votes the matter will be referred to the Board for determination.

#### **9. Authority to seek any required information**

The Committee shall have the authority to seek any information that it requires from any officer or employee of the Company.

#### **10. Independent Professional Advice**

The Committee is authorised to take such independent professional advice as it considers necessary, the costs of which shall be for the account of the Company, provided the Committee follow the procedure set out in Annexure "B" to the Board Charter.

#### **11. No executive powers**

Save for its duties provided for in the Act, the Committee shall have no executive powers with regard to its findings and recommendations.

#### **12. Annual Evaluation**

The Committee shall ensure that a formal process as recommended by this Committee and approved by the Board, is followed for evaluating the performance of the Committee, at least every second year.

#### **13. Approval of these terms of reference**

These terms of reference were approved by the chairman of the board and chairman of the Committee on 28 November 2017 and will be due for review on 26 November 2018.

## Remuneration Committee – Work Plan

| Duties & Responsibilities   | February meeting | May meeting | August meeting | Ad Hoc | Annual/ Integrated report | Confirmation |
|---|------------------|-------------|----------------|--------|---------------------------|--------------|
| <b>1. Remuneration of Executive Directors and other Executives</b>  |                  |             |                |        |                           |              |
| Approve the remuneration of the Chief Executive, and the other members of the Executive Committee   |                  | x           |                | x      | x                         |              |
| Approve salary increases to the Chief Executive, and the other members of the Executive Committee   |                  | x           |                |        |                           |              |
| Conduct a benchmarking exercise with regard to the remuneration payable to the Chief Executive, and the other members of the Executive Committee to:- <ul style="list-style-type: none"> <li>ensure that the levels of remuneration (basic salary, performance bonuses, share incentives, pensions and other benefits) are sufficient to attract retain and motivate executives of the quality required by the Board;</li> <li>ensure that the Company's executives are fairly rewarded for their individual contributions to the Company's overall performances</li> </ul> |                  |             |                | x      |                           |              |
| Approve allocations of SARs in terms of the SARs Plan to the Chief Executives, and the other members of the Executive Committee   |                  | x           |                | x      | x                         |              |
| Approve any performance conditions which should be met prior to the vesting of any allocation of SARs to the Chief Executives, and the other members of the Executive Committee   |                  | x           |                | x      | x                         |              |
| Recommend for approval any share and other incentive schemes for the Chief Executive, and the other members of the Executive Committee  |                  |             |                | x      | x                         |              |
| Approve profit share bonuses targets for the Chief  |                  |             | x              |        |                           |              |

| <b>Duties &amp; Responsibilities</b>  | <b>February meeting</b> | <b>May meeting</b> | <b>August meeting</b> | <b>Ad Hoc</b> | <b>Annual/ Integrated report</b> | <b>Confirmation</b> |
|---|-------------------------|--------------------|-----------------------|---------------|----------------------------------|---------------------|
| Executive, and the other members of the Executive Committee (STI)   |                         |                    |                       |               |                                  |                     |
| Approve individual performance bonuses targets for the Chief Executive, and the other members of the Executive Committee (STI)  |                         |                    | x                     |               |                                  |                     |
| Approve profit share bonuses payable to the Chief Executive, and the other members of the Executive Committee (STI)   |                         |                    | x                     |               | x                                |                     |
| Approve individual performance bonuses payable to the Chief Executive, and the other members of the Executive Committee (STI)   |                         |                    | x                     |               | x                                |                     |
| Review the workings and/or methodology of the short-term incentive scheme (“STI”)   |                         | x                  |                       | x             |                                  |                     |
| Review the workings and/or methodology of the long-term incentive scheme i.e. SARs Plan (“LTI”)   |                         | x                  |                       | x             |                                  |                     |
| <b>2. Remuneration of Non- Executive Directors</b>  |                         |                    |                       |               |                                  |                     |
| The Committee must also recommend to the full Board, and to the shareholders, the fees to be paid to each Non-executive Director. In this process the Committee must take note of market norms and practices. |                         |                    | x                     |               | x                                |                     |
| Conduct a benchmarking exercise with regard to the fees payable to the Non-executive Directors.   |                         |                    |                       | x             |                                  |                     |
| <b>3. Remuneration Policy</b>   |                         |                    |                       |               |                                  |                     |
| Oversee the establishment of a remuneration policy that will promote the achievement of strategic objectives and encourage individual performance.  |                         |                    | x                     |               | x                                |                     |
| Ensure that the remuneration policy is put to a non-binding advisory vote at the general meeting of shareholders annually   |                         |                    | x                     |               | x                                |                     |
| Review the outcomes of the implementation of the remuneration policy and advise whether the set objectives are being achieved.  | x                       |                    |                       |               |                                  |                     |
| <b>4. Reporting</b>   |                         |                    |                       |               |                                  |                     |
| Oversee the preparation of the remuneration report and recommend the remuneration report to the Board.  |                         |                    | x                     |               | x                                |                     |

| <b>Duties &amp; Responsibilities</b>   | <b>February meeting</b> | <b>May meeting</b> | <b>August meeting</b> | <b>Ad Hoc</b> | <b>Annual/ Integrated report</b> | <b>Confirmation</b> |
|--|-------------------------|--------------------|-----------------------|---------------|----------------------------------|---------------------|
| <p>which should be included in the integrated report. Ensure that the remuneration report:-</p> <ul style="list-style-type: none"> <li>• is accurate, complete and transparent;</li> <li>• provides a clear explanation of how the remuneration policy has been implemented;</li> <li>• provides sufficient forward-looking information for the shareholders to pass a special resolution in terms of section 66 (9) of the Companies Act, 2008;</li> <li>• full details of the executive directors and non-executive directors' total remuneration (executive and non-executive directors separately) need to be disclosed in the remuneration report as required by the Companies Act, 2008 and/or the JSE Listing Requirements. This includes inter alia the following: Directors' fees, salaries, car allowances, company contributions, bonuses, share options and restraint payments; and</li> <li>• the names of the members of the remuneration committee must be announced in the remuneration report and the chairman of the Committee has to attend annual general meetings to answer questions from shareholders.</li> </ul> |                         |                    |                       |               |                                  |                     |
| <b>5. General</b>  |                         |                    |                       |               |                                  |                     |
| Monitor all directors dealings   | x                       | x                  | x                     |               | x                                |                     |
| Review any loans to the Chief Executive, and the other members of the Executive Committee  | x                       |                    |                       |               |                                  |                     |
| Review Remuneration Committee Charter  | x                       |                    |                       |               |                                  |                     |
| Review the Company's HR policies i.e. medical aid, leave, travelling etc.  | x                       |                    |                       |               |                                  |                     |
| Review succession planning for the Chief Executive, and the other members of the Executive Committee   |                         |                    | x                     |               |                                  |                     |