

# Remuneration Report

## REMUNERATION PHILOSOPHY AND POLICY

The principles of the remuneration policy are designed:

- not only to attract, retain and motivate employees but also to reward them for their contribution to the group's operating and financial performance;
- to take account market conditions at both industry and country levels; and
- to cater, apart from fixed remuneration, for an element of variable remuneration in the form of short and longer-term incentive schemes that are used to reward employees for the achievement and out-performance of specified targets and objectives, as well as assisting in attracting and retaining key personnel.

## REMUNERATION/NOMINATION COMMITTEE

For the year under review, the company's Remuneration/Nomination Committee comprised six non-executive directors, four of whom were independent, reducing to five and three respectively upon the retirement of Mr M J Shaw with effect from 21 July 2010. The members of the Committee are indicated on pages 12 and 13 of this report. When dealing with remuneration matters, the Committee was chaired by Mr M J Shaw until his retirement and thereafter by Mr M J Hankinson, whilst when considering nomination matters, the Committee was chaired by Mr R A Williams as chairman of the board.

At the meeting of the board held on 27 May 2011, Mr T S Munday was appointed as an additional member of the Committee.

The Committee has formal terms of reference approved by the board. It is responsible for the assessment and approval of a broad remuneration strategy for the group, and for the development and determination of the company's general policy on executive and senior management remuneration. It is also responsible for making recommendations to the board on the fees payable to the company's non-executive directors.

The Committee also gives consideration to the composition of the board and makes appropriate recommendations in this regard to the board. It also plays an integral part in succession planning relative to senior executives.

The Committee meets at least three times a year at which meetings appropriate members of executive management are in attendance. In the past year, four meetings were held, attendance at which is reflected on a table on page 59 of this report. For the year under review, the Committee satisfied its responsibilities in compliance with its terms of reference.

## EXECUTIVE AND SENIOR MANAGEMENT REMUNERATION

The group aims to adhere to the broad guidelines of executive remuneration as anticipated by King III, in respect of remuneration packages of the company's executive directors and senior management levels, ensuring that:

- the positioning of the remuneration packages are aligned between the market median and upper quartile of local and international industry benchmarks. To this end, external consultants are used to ensure that these levels are conducive to the attraction and retention of these key skills;
- there is an appropriate balance between fixed and variable remuneration which is modelled to achieve superior performance; and
- incentives in respect of short-term and long-term driven targets are implemented which contribute towards the achievement of company objectives and which are aligned to the delivery of sustained shareholder value.

For the short term, all employees participate in a performance related bonus scheme designed and implemented on a financial year basis, i.e. paid out against pre-set performance criteria at the end to the group's financial year. The targets set are both of a financial and 'line-of-sight' operational nature, directly relevant to the performance expectations for each operation in the ensuing year. In respect of the latter, the targets are readily measured and progress towards achievement thereof is communicated on an ongoing basis.

Longer-term incentives include share purchase schemes and a performance-related phantom share scheme, the latter being extended to key senior staff members, which are aligned to the company's share performance and incorporate a performance hurdle. These schemes are more fully described under the Directors' Report on pages 93 to 95 of this report.

### COMPENSATION OF DIRECTORS

The remuneration of executive directors for the year ended 31 March 2011 was as follows:

	Salary	Bonus	Retirement and medical contributions	Other benefits	Option gains	Total
	R000	R000	R000	R000	R000	R000
Clark G J	3 616	752	437	206	5 584	10 595
Haworth D L#	276	–	41	1 329	776	2 422
Riddle L W	1 657	364	232	251	261	2 765
Stuart B M	2 761	501	149	448	–	3 859
Zarnack K	2 086	334	245	185	2 176	5 026
<b>Total</b>	<b>10 396</b>	<b>1 951</b>	<b>1 104</b>	<b>2 419</b>	<b>8 797</b>	<b>24 667</b>

# Retired on 31 May 2010

The remuneration of executive directors for the year ended 31 March 2010 was as follows:

	Salary	Bonus	Retirement and medical contributions	Other benefits	Option gains	Total
	R000	R000	R000	R000	R000	R000
Clark G J	3 000	465	367	123	–	3 955
Haworth D L	1 431	150	173	182	–	1 936
Riddle L W	1 432	222	188	204	662	2 708
Stuart B M	2 289	286	277	192	19	3 063
Zarnack K	1 826	237	214	154	868	3 299
<b>Total</b>	<b>9 978</b>	<b>1 360</b>	<b>1 219</b>	<b>855</b>	<b>1 549</b>	<b>14 961</b>

For the year under review, the salaries of the three most highly-paid employees who are not directors aggregated R4.432 million.

## REMUNERATION REPORT continued

The fees paid to non-executive directors were as follows:

		2011 R000	2010 R000
Connellan B P	#	58	180
Hankinson M J		444	403
Konar D		335	315
MacLeod D G		1 275	1 200
Madi P M		270	258
Molope C W N		270	258
Mpungwe A R	*	260	106
Munday T S	x	260	13
Norton R A	∅	–	143
Shaw M J	#	146	441
Williams R A		1 930	1 820
Carr M I	+	–	–
Lister P A	+	–	–
Pike R N	+	–	–
<b>Total</b>		<b>5 248</b>	<b>5 137</b>

# Retired 21 July 2010

\* Appointed 1 September 2009

x Appointed 9 March 2010

∅ Retired 14 July 2009

+ These directors, nominated by the holding company, have each elected not to receive the payment of the fees due to them as non-executive members of the board and the board committees upon which they serve

Post-retirement medical aid contributions paid on behalf of past directors amounted to R54 166 for the year (2010: R46 940).

## SHARE OPTIONS

### Illovo Sugar 1992 Share Option Scheme

This option scheme is covered under the Directors' Report on pages 93 and 94 of this report.

The table below reflects options previously granted to directors, any options exercised during the year under review, and options unexpired and unexercised as at 31 March 2011.

	Options as at 31 March 2010	Option price (cents)	Options exercised during the year	Exercise price (cents)	Options as at 31 March 2011	Expiry date
Clark G J	48 824	805	48 824	2 710	–	20.05.2012
	68 500	680	68 500	2 710	–	20.05.2013
	46 000	770	46 000	2 710	–	01.06.2014
	163 324				–	
Riddle L W	3 600	770	3 600	2 805	–	01.06.2014
	3 600				–	
Stuart B M	45 700	680	–	–	45 700	20.05.2013
	46 000	770	–	–	46 000	01.06.2014
	91 700				91 700	
	258 624		166 924		91 700	

### Illovo Sugar Phantom Share Scheme

This share scheme is covered under the Directors' Report on pages 94 and 95 of this report. Given that options in terms of this scheme are "cash settled" rather than "equity settled", the scheme does not fall to be classified as a share incentive scheme in terms of the JSE's Listings Requirements.

The table below reflects options previously granted to directors, options granted during the year under review, any options exercised during the year under review, and options unexpired and unexercised as at 31 March 2011.

	Options as at 31 March 2010	Option price (cents)	Options granted during the year	Options exercised during the year	Exercise price (cents)	Options as at 31 March 2011	Expiry date
Clark G J	92 500	829		61 600	2 967		
				30 900	2 729	–	12.07.2015
	50 000	1 634		16 600	2 967		
				16 700	2 729	16 700	29.10.2016
	90 000	2 364		30 000	2 729	60 000	23.07.2017
	70 000	2 867		–		70 000	09.07.2018
	240 000	2 808		–		240 000	13.07.2019
		2 856	172 500	–		172 500	20.07.2020
	542 500		172 500	155 800		559 200	
MacLeod D G*	100 000	2 364		–		100 000	23.07.2017
	140 000	2 867		–		140 000	09.07.2018
	240 000					240 000	
Riddle L W	26 800	829		10 800	2 593		
				16 000	2 770	–	12.07.2015
	20 000	1 634		–		20 000	29.10.2016
	33 500	2 364		–		33 500	23.07.2017
	25 000	2 867		–		25 000	09.07.2018
	60 000	2 808		–		60 000	13.07.2019
		2 856	56 000	–		56 000	20.07.2020
	165 300		56 000	26 800		194 500	
Stuart B M	92 500	829		–		92 500	12.07.2015
	45 000	1 634		–		45 000	29.10.2016
	42 500	2 364		–		42 500	23.07.2017
	51 500	2 867		–		51 500	09.07.2018
	92 000	2 808		–		92 000	13.07.2019
		2 856	75 000	–		75 000	20.07.2020
	323 500		75 000	–		398 500	
Zarnack K	85 000	829		85 000	2 700	–	12.07.2015
	70 000	1 634		46 600	2 700	23 400	29.10.2016
	80 000	2 364		26 600	2 700	53 400	23.07.2017
	34 500	2 867		–		34 500	09.07.2018
	60 000	2 808		–		60 000	13.07.2019
		2 856	64 000	–		64 000	20.07.2020
	329 500		64 000	158 200		235 300	
	1 600 800		367 500	340 800		1 627 500	

\* Options granted to Mr MacLeod whilst an executive director