Remuneration report

The Remuneration & Nomination Committee, a subcommittee of the Board, assists the Board, *inter alia*, in ensuring that:

- the Board has the appropriate composition for it to execute its duties effectively;
- directors are appointed through a formal process;
- the formal induction and ongoing training and development of directors takes place;
- an annual evaluation of the performance of the Board, the Board committees, the Chairman, the Group Chief Executive, the Group Deputy Chief Executive (Finance Director), the Company Secretary & Group Governance Officer and each of the individual directors is conducted;
- the formal succession plans for the Board, the Chairman of the Board, Group Chief Executive, Deputy Group Chief Executive/Financial Director and senior management are reviewed and approved;
- the remuneration policy and remuneration levels are appropriately set across the Group;
- the Group remunerates each director and each executive fairly and responsibly; and
- the disclosure of directors and remuneration is accurate, complete and transparent.

Remuneration & Nomination Committee Terms of Reference

The Remuneration & Nomination Committee has adopted formal Terms of Reference as incorporated in the Board Charter which have been approved by the Board of Directors. The Terms of Reference are reviewed and amended by the Board as and when required. The Committee has conducted its affairs in compliance with these Terms of Reference and has discharged its responsibilities contained therein.

Remuneration & Nomination Committee members and attendance at meetings

In applying the recommendations of King III, the Remuneration & Nomination Committee consists of a majority of independent non-executive directors, one of whom chairs the Committee's meetings. Members and the Chairman of this Committee are elected by the Board.

The Chairman of the Board is a member of this Committee and the Group Chief Executive, Deputy Group Chief Executive and Company Secretary & Group Governance Officer attend meetings by invitation. From time to time other executives of the Group attend meetings of the Committee, as requested.

In accordance with the Terms of Reference, the Committee meets at least three times annually, but more often if necessary. During the current financial year, the Committee met three times. The minutes of these meetings are made available to the other directors on a secure electronic database. The Chairman of the Committee provides the Board with a verbal report of the Committee's activities at each Board meeting. The following table of attendance at Remuneration & Nomination Committee meetings reflects the Committee's meetings held during the year and the attendance of these meetings by its members during the year:

Committee member	12 July 2013	10 September 2013	5 March 2014
Roy Andersen (Chairman)	✓	✓	✓
John Buchanan	✓	✓	✓
Judy Dlamini	✓	✓	✓
Kuseni Dlamini	✓	✓	✓

The Chairman of the Committee represents the Remuneration & Nomination Committee at the annual general meeting each year.

The Company Secretary & Group Governance Officer is also the Secretary of the Committee.

Remuneration Philosophy and Policy

The Group strives to retain its competitive advantage in the global pharmaceutical industry through the attraction and retention of high-calibre individuals, who not only have the required technical qualifications and experience, but who also demonstrate the desired behavioural traits which fit the Group's entrepreneurial and dynamic culture.

The Group remains cognisant of the importance of finding the proper balance between keeping its employees appropriately rewarded and motivated and balancing the financial considerations of the Group's shareholders in the medium term. The Group makes reference to independent surveys, publicly available economic data and marketplace intelligence both locally and internationally in endeavouring to set remuneration packages that are competitive as well as industry and market related. In awarding annual salary increases and incentive payments to employees, consideration is given to an employee's performance and the financial performance of the Group company in which he or she is employed. Consideration is also given to the economic conditions impacting the industry and the geographical market in which the employee is based.

Executive and management remuneration principles

The Remuneration Philosophy of the Aspen Group is aimed at driving the Group's high-performance culture. Remuneration packages are directly linked to individual and Company performance. Executive and management remuneration is formulated in a manner which aligns the rewards of these employees with changes in the value delivered to the Group's stakeholders and further recognises exceptional individual contributions. The remuneration packages of executives and management are accordingly made up of fixed, variable and medium-term incentive elements, as follows:

Base salary

This is the fixed portion of the remuneration package which is payable in cash. It is reviewed annually and in circumstances where the executive or manager has changed responsibilities or has relocated.

Annual incentive

This variable portion of remuneration increases as a proportion of maximum potential earnings as the executive or manager reaches higher levels of seniority. Payable in cash, the entitlement to and the quantum of the annual incentive is determined according to the achievement of predetermined performance targets by the employee and by the Group company in which the executive or manager is employed.

The annual incentive is capped in value. The cap on the annual incentive for executives and managers varies between countries of employment, but does not in any instance exceed 30% of the total remuneration cost (excluding incentives).

A further discretionary bonus may be paid in cash to employees who are considered by the Remuneration & Nomination Committee to have rendered exceptional service in any given year.

Medium-term incentive

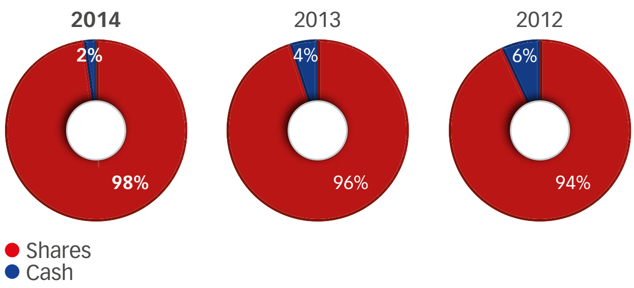
This is applicable to selected employees in Group companies who exceed agreed performance criteria. The medium-term incentive vests three years after award on condition that the executive or manager concerned remains in the employ of the Group. However, should the employee retire within the three-year period, the medium-term incentive will be accelerated to the date of retirement. The medium-term incentive scheme thus plays a direct role in facilitating the Group's retention objectives. The medium-term incentive is determined according to the achievement of predetermined performance targets by the executive or manager and by the Group company in which they are employed. Individual performance is assessed against pre-set key performance measures and company performance is assessed relative to the operating profit budget of the company for which the employee works. In South Africa the medium-term incentive is payable in cash or shares, at the employee's election. In all other qualifying territories, the medium-term incentive is payable in cash under the principles of a phantom share scheme.

Remuneration report continued

The medium-term incentive scheme is also capped in respect of the value that can be awarded, with this cap varying according to the level of seniority of the executive or manager and territory of employment. The maximum award does not exceed 33% of the total remuneration cost (excluding incentives) in any instance. These medium-term incentives are awarded under the following schemes currently in operation:

The Aspen South African Management Deferred Incentive Bonus Scheme

The scheme is designed to acknowledge performance and reward individuals for achievement of both the relevant Aspen business which employs the individual and the individual's performance for the trading period immediately preceding the date that the award is made. This scheme is also aimed at ensuring critical executive and professional skills retention and enhancing congruence between the interests of senior and executive employees and shareholders. The eligible employee is given the choice at the date of the award to receive the deferred incentive bonus either in cash or Aspen shares. These awards vest three years after the date of the award. An enhancement of 10% is given to employees who elect to receive the award in shares. Alignment between shareholder and employee interests has been successful as most eligible employees have historically elected to receive the value of the award in Aspen shares as graphically reflected below.



The value of deferred incentive awards taken in shares versus value of deferred incentive awards taken in cash over the past three years is reflected above.

To the extent that an employee elects to receive shares pursuant to the award, these shares are bought on the open market by the Share Incentive Scheme Trust to avoid the dilution of shareholders and are awarded to employees in terms of the existing Aspen Share Incentive Scheme. Shares awarded in terms of this scheme vest three years after the date of the award. The rules of the scheme specifically prohibit the re-pricing of awards to cater for unfavourable fluctuations in the share price. The rules of the scheme also provide that the Remuneration & Nomination Committee may amend the rules of the scheme at any time, provided that no such amendment may adversely affect the vested rights of the participants of the scheme unless their prior written consent is obtained. All material amendments are also subject to the approval of shareholders and the JSE.

The Aspen International Phantom Share Scheme

In order to incentivise the management of Aspen's International businesses in the medium term, a phantom share scheme exists for selected international employees. Awards are linked to performance of the employee, the business and growth in the Aspen share price. The scheme has been designed to incentivise managers for the medium term, align their goals with those of the Aspen Group and to match their reward to movements in the Aspen share price. Due to regulatory restrictions in respect of transfer and ownership of Aspen shares to offshore employees, the scheme is operated on a phantom basis, which is designed to give an employee the same economic benefit as ownership of shares. The phantom shares entitle eligible employees to receive a bonus based initially on a predetermined value and thereafter on changes in the Aspen share price. As this scheme does not result in the issue of shares or other Company securities, it is not regulated by the JSE, it does not require shareholder approval and it does not lead to dilution in shareholding. All awards in terms of this scheme require the express approval of the Remuneration & Nomination Committee.

In determining annual incentives, the Remuneration & Nomination Committee has the discretion to exclude factors and extraordinary events which are beyond the control of the Group, but which may nevertheless favourably or adversely impact the Group's performance. Accordingly, extraneous factors may be excluded in the calculation of incentives for the executive directors and other members of executive management at the discretion of the Committee.

Legacy share schemes

The following share schemes are still operational in terms of awards which were previously made. No new awards are being made under the schemes.

Aspen Share Incentive Scheme

- The scheme was adopted by shareholders in January 1999. In terms of the scheme adopted, and subsequent amendments, share options were granted to management and key employees. Participants in the scheme are entitled to take release of the options granted in five equal annual tranches, commencing on the second anniversary of the date granted and expiring on the eighth anniversary of the grant date. To the extent that outstanding share options are exercised on or after vesting date, the appropriate number of shares will be listed and awarded to the participant.

Aspen Share Appreciation Plan

- The plan was adopted by shareholders in October 2005. In terms of the plan, share appreciation rights are awarded to key management. Participants are awarded rights to receive shares in the Company equivalent to an amount calculated by reference to the increase in value of the rights between the date of the grant and the date of exercise of the rights. The rights vest on the third anniversary of the award date and expire on the fifth anniversary of that date. To the extent that outstanding share appreciation rights are exercised on or after vesting date, the appropriate number of shares will be listed and awarded to the participant.

Aspen South African Workers' Share Plan

- The Workers' Share Plan was adopted by shareholders in October 2005. In terms of the plan, all South African employees employed by the Company for a full year on a permanent basis were issued shares in the Company to the value of R9 000 each over a period of three years. The shares vested immediately but are subject to a lock-up period of one year. The last tranche of this plan was issued in July 2009.

At the December 2012 annual general meeting the Company's shareholders approved amendments to the terms of these legacy share schemes operated by the Group thereby limiting the maximum number of shares that can be issued in terms of these schemes to 45 477 945 or 10% of the Company's issued share capital (down from 64 741 611 or 14% of the Company's issued share capital), and the maximum number of shares issued to any single employee is limited to 4 800 000 (down from 6 474 161 shares). Since this amendment was approved, 1 561 634 shares have been issued in terms of these legacy schemes, representing 0,34% of the Company's issued share capital. From the date of inception of these schemes in 2001, 39 036 329 shares have been issued under the schemes comprising 8,55% of issued share capital. This constitutes an average dilution rate of less than 1% per year.

A detailed indication of the maximum number of shares that may result from awards granted in terms of the Share Incentive Scheme is contained in note 15.1 of the Group Annual Financial Statements. The number of shares that may result from awards made under the Share Appreciation Plan can only be determined at the date of exercise. Refer to note 15.2 of the Group Annual Financial Statements.

The Group's management incentive schemes are approved by the Remuneration & Nomination Committee, which reports to the Board on all approved schemes.

Benefits

Benefits vary from country to country depending on customs and regulations. Benefits include retirement funding, medical insurance and life and disability insurance. A limited number of employees in South Africa are entitled to post-retirement health benefits (as a consequence of contractual obligations assumed from predecessor companies). Aspen has never offered post-retirement health benefits, but has assumed obligations for retirement health benefits through various acquisitions.

In respect of retirement benefits, the Group generally contributes to employee retirement funding. The extent of its contributions varies from country to country, depending on the state social security contributions and benefits in the country concerned.

Executive directors

The principles in terms of which the remuneration packages of the Group's executive directors are determined are similar to those applicable to other executives and management. Executive directors accordingly receive a base salary, an annual incentive and a medium-term incentive which are determined in accordance with the principles applicable to executives and management and are calculated as set out in this report. In the case of the executive directors, the maximum annual incentive is 100% of their total remuneration cost (excluding incentives).

In terms of their service contracts, executive directors receive no additional remuneration on account of their being directors of the Company.

Executive directors' annual incentive bonuses are recommended by the Remuneration & Nomination Committee based on predetermined targets.

In respect of the year to 30 June 2014 the targets were:

- the three-year CAGR of the Group's fully diluted headline earnings per share from continuing operations. The maximum target is the three-year compound annual South African Consumer Price Index +8% and the minimum threshold for the achievement of the incentive is the three-year annual compound Consumer Price Index +1%. The weighting of this portion of the incentive is 40% of the total incentive;
- the three-year CAGR of the Group's earnings before interest, tax, depreciation and amortisation per share. The maximum target is the three-year annual compound South African Consumer Price Index +8% and the minimum threshold for the achievement of the incentive is the three-year compounded Consumer Price Index +1%. The weighting of this portion of the incentive is 30% of the total incentive; and

Remuneration report continued

- a weighting of 30% on their KPIs, which include the development and implementation of Group strategy, management of key stakeholder relationships, effective corporate governance, manufacturing capacity, product development, safety and environmental performance, the alignment of IT with business requirements and the satisfaction of objectives set by the Social & Ethics Committee, including transformation within Aspen's South African businesses.

These performance targets were met by both the executive directors.

The targets in respect of the year to 30 June 2015 remain unchanged from the targets set for the 2014 financial year.

In addition to the annual incentive, executive directors are, subject to the approval of the Remuneration & Nomination Committee, awarded a medium-term incentive bonus under the terms and conditions of the South African Management Deferred Incentive Bonus Scheme referred to previously, capped at a maximum of 41,25% of their total remuneration cost (excluding incentives). The extent of these awards is determined with reference to the same predetermined targets applicable to the executive directors' annual incentive bonus as detailed previously.

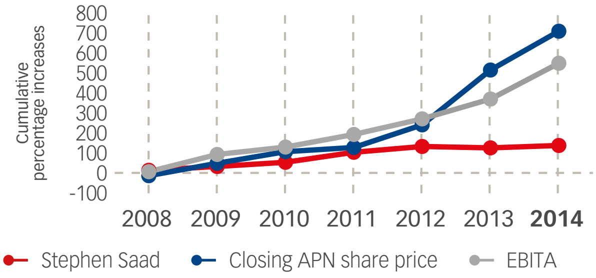
Neither of the executive directors has a long-term service contract with the Group and, in both instances, the service contracts of the executive directors are terminable on six months' written notice.

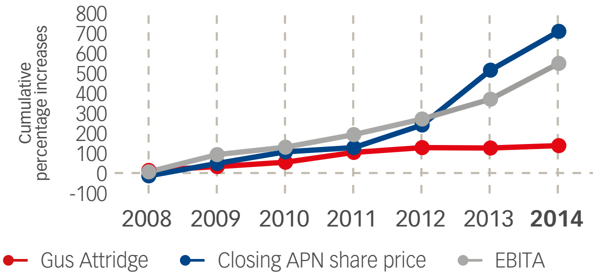
Total remuneration composition of executive directors

Stephen Saad

Gus Attridge

Cumulative executive director remuneration increases as compared to cumulative increases in EBITDA and the Aspen share price





The executive directors have, to date, always elected to receive their deferred incentive awards in shares as opposed to cash.

Non-executive directors

Non-executive directors do not receive any bonuses, share options, incentives or other payments in addition to their directors' fees. Following research into trends in non-executive director remuneration among companies of a similar size and complexity to the Group and the duties performed, non-executive directors' fees are proposed by management to the Remuneration & Nomination Committee.

After review of such proposals, the Remuneration & Nomination Committee makes appropriate recommendations, other than for fees for services rendered to the Remuneration & Nomination Committee, to the Board. The proposal endorsed by the Board is tabled for approval by shareholders at the annual general meeting. In line with the requirements of the Companies Act, the fees payable to the non-executive directors for the 2014 financial year were approved by a special resolution of Aspen's shareholders at the Company's annual general meeting held in December 2013. The fees payable to these directors through to the annual general meeting in 2015 will be submitted for approval at the Company's annual general meeting to be held on 8 December 2014.

The Chairman of the Board receives a flat annual fee for her role as Chairman. Non-executive directors' fees are fixed for the year. A quarterly base fee is payable to each non-executive director, in addition to a fee per meeting attended. Further fees will be paid for attendance at unscheduled meetings dependent on the number of hours spent at the meeting, up to a maximum of the set fee per meeting. In the instance of non-attendance, non-executive directors are obliged to continue to participate in meetings by providing the Chairman or the committee Chairman with detailed inputs for all agenda items. The Remuneration & Nomination Committee has discretion to approve payment of such fees to a non-executive director notwithstanding his/her absence from a meeting in special circumstances.

Consistency of application and approval

The remuneration philosophy is consistently applied across all companies forming part of the Group. In line with the recommendation of King III, the Group will table this Remuneration Policy at its 2014 annual general meeting for a non-binding advisory vote by shareholders.

Directors' remuneration and shareholding

The tables below set out the remuneration paid to the directors as well as the details of directors' shareholdings in the Group:

Non-executive directors	2014 R'000	2013 R'000
Roy Andersen	**560**	508
Rafique Bagus	**322**	308
John Buchanan	**662**	633
Judy Dlamini	**866**	817
Kuseni Dlamini	**318**	233
Abbas Hussain	**257**	185
Maureen Manyama-Matome*	**26**	–
Chris Mortimer	**248**	213
Sindi Zilwa	**532**	498
	3 791	3 395

Appointed to the Board with effect from 1 June 2014.

Executive directors	Remuneration R'000	Retirement and medical aid benefits R'000	Performance bonus R'000	Share-based payment expenses R'000	Total R'000
2014					
Gus Attridge	**4 796**	**591**	**5 377**	**1 914**	**12 678**
Stephen Saad	**5 814**	**701**	**6 506**	**2 319**	**15 340**
	10 610	**1 292**	**11 883**	**4 233**	**28 018**
2013					
Gus Attridge	4 568	555	5 123	1 794	12 040
Stephen Saad	5 535	660	6 195	2 173	14 563
	10 103	1 215	11 318	3 967	26 603

Remuneration report continued

Directors' interests in Aspen shares

The table below reflects the status of rights in existence at the beginning of the year which were issued to executive directors in terms of the Aspen Share Appreciation Scheme in the past and which of those rights were exercised during the year:

	Grant price (R)	Expiry date	Rights outstanding on 30 June 2013 ('000)	Exercised ('000)	**Rights outstanding on 30 June 2014 ('000)**	Vested ('000)
Stephen Saad	41,03	Sept 2013	181	181	**–**	–

No share appreciation rights lapsed or were cancelled during the year.

Shares allocated in terms of the South African Management Deferred Incentive Bonus Scheme as at the beginning of the year and those offered to and accepted by executive directors during the year were as follows:

	Grant price (R)	Expiry date	Shares outstanding on 30 June 2013 ('000)	Awarded during the year ('000)	Released during the year ('000)	**Shares outstanding on 30 June 2014 ('000)**
Gus Attridge	86,88	Nov 2013	19	–	19	**–**
	89,68	Oct 2014	20	–	–	**20**
	156,00	Oct 2015	13	–	–	**13**
	264,13	Oct 2016	–	8	–	**8**
			52	8	19	**41**
Stephen Saad	86,88	Nov 2013	24	–	24	**–**
	89,68	Oct 2014	25	–	25	**–**
	156,00	Oct 2015	16	–	–	**16**
	264,13	Oct 2016	–	10	–	**10**
			65	10	49	**26**
			117	18	43	**67**

The deferred incentive bonus shares have a maturity date of three years on acceptance of the bonus.

The direct and indirect beneficial interests of the directors and their associates in the shares of the Company were:

	Direct ('000)		Indirect ('000)	
	2014	2013	**2014**	2013
Roy Andersen	**40**	40	**–**	–
Gus Attridge	**3 679**	3 668	**15 169**	15 169
Rafique Bagus	**6**	6	**35**	30
John Buchanan	**–**	–	**30**	30
Judy Dlamini	**–**	–	**2 627**	2 627
Kuseni Dlamini	**–**	–	**–**	–
Abbas Hussain	**–**	–	**–**	–
Maureen Manyama-Matome	**–**	–	**–**	–
Chris Mortimer	**88**	78	**–**	–
Stephen Saad	**4 006**	3 830	**51 303**	51 303
Sindi Zilwa	**–**	–	**–**	–
	7 819	7 662	**69 164**	69 159

None of the directors held any non-beneficial shares in the Company at 30 June 2014.

Roy Andersen
Remuneration & Nomination Committee Chairman

22 October 2014