



AVI LIMITED

<https://www.avi.co.za/investor/results-and-presentations/current-year/>

Annual General Meeting

1 November 2018

Financial Year End: 30 June 2018

Proxies voted
The Ditikeni Trust
Social Change Assistance Trust (SCAT)

A rather dull report which gave limited insight into the business and much of it reads as though it was copied from last year's report, indeed looking back at the 2017 report this does seem to be the case. This did make comparing to last year easy as even the page numbers were almost the same. Some information had to be searched for rather than presented in such a manner as could be easily found.

A cosy and comfortable board mostly made up of white men in their fifties, it does not seem to take shareholder concerns particularly seriously with Mr Hersov's reappointment to the audit committee opposed by nearly a quarter of shareholders last year. Mr Hersov has again been nominated to the audit committee and the chairman has concluded that despite Mr Hersov's 23 years' service his independence is not compromised.

The Social and Ethics Committee does not appear to be taken very seriously by the company with only 1 director nominated to this committee. The Report on Social and Ethics is inadequate.

The report was laid out in portrait format suitable for printing and not in landscape format which is more suitable for use on a computer screen, in addition there were a number of double page spreads which are impossible to read on a computer. No attempt was made to make this report computer friendly let alone use the technology available.

	Resolution	Rationale	Vote	Outcome of AGM
1	Adoption of the financial statements for the year ended 30 June 2018	<p>The Annual Financial Statements (AFSs) are included in full in the Integrated Annual Report (the Report). It is pleasing to have the AFSs put to the members and for the members to vote on the adoption thereof.</p> <p>The auditors have issued a clean audit report.</p>	FOR	FOR 100%
2	Appointment of Ernst & Young Inc. as the external auditors of the Company	<p>The company has dismissed KPMG as auditors, no reasons are given for this.</p> <p>The rotation of auditors is favoured and KPMG have served as auditors for 18 years.</p> <p>Ernst & Young are one of the big international audit firms and as such are capable of carrying out their function as auditors.</p> <p>The audit partner is named as required.</p>	FOR	FOR 100%
	Election of Directors and composition of the board.	<p>No analysis of the board is provided, the following information was compiled from the information in the report:</p> <ul style="list-style-type: none"> ✗ Independence: 67% independent and 33% executive; ✗ Tenure (non-exec only): <3yrs – 0%, 3 to 9yrs – 50%, >9yrs – 50%; Average tenure 11.3 years; ✗ Diversity: Male 89%, White 78%, 50yrs to 60yrs old 67%. <p>The board is not doing well on independence nor are they doing well on diversity.</p> <p>The Report classifies 67% of directors as independent but in fact 50% of those have served for nine or more years. The Report singles out 1 director as having served for more than nine years and states that the chairman has considered that directors independence in terms of King IV and concluded that he is independent. The chairman has been a director for more than 9 years.</p> <p>The board has set a target of 25% female directors but, at 11% it is clearly some way off this target.</p> <p>The Report states the company has adopted a formalised policy on the promotion of racial diversity at board level, at 78% white it has some way to go.</p>		

	Resolution	Rationale	Vote	Outcome of AGM
3	Re-election of Mr A Nühn as a director	Mr Nühn, 65, is suitably skilled and experienced. His attendance record in the reporting period was impeccable. He has been a director for 11 years. He is the director of 5 listed entities, at least one of which he is the chairman. As such he is overcommitted.	AGAINST	FOR 94.7%
4	Re-election of Mr MJ Bosman as a director	Mr Bosman, 57, is suitably skilled and experienced. His attendance record in the reporting period was impeccable. He has been a director for 8 years. He is the director of 3 listed entities	FOR	FOR 99.9%
5	Re-election of Mr A Thebyane as a director	Mr Thebyane, 58, is suitably skilled and experienced. His attendance record in the reporting period was impeccable. He has been a director for 8 years. He is the lead independent director, with 8 years' service his independence will come under scrutiny soon. He holds no other listed company directorships.	FOR	FOR 99.9%
6	Appointment of Mr MJ Bosman as a member and Chairman of the Audit and Risk Committee	Mr Bosman as outlined under 4 above has been a director of AVI for 8 years. As such his independence is becoming a concern, however it is at this stage insufficiently concerning to oppose his nomination.	FOR	FOR 100%
7	Appointment of Mrs NP Dongwana as a member of the Audit and Risk Committee	Mrs Dongwana is suitably skilled and experienced. Her attendance record in the reporting period was acceptable. She has been a director for 8 years and sits on a total of 4 listed company boards.	FOR	FOR 100%
8	Appointment of Mr JR Hersov as a member of the Audit and Risk Committee	Mr Hersov has been a director of AVI 23 years and as such he cannot be considered sufficiently independent to serve on this committee. At the last AGM 23% of shareholders voted against Mr Hersov's appointment to this committee yet the company persists in this appointment.	AGAINST	FOR 76.8%
9	Special resolution (increase in fees payable to non-executive directors, excluding the Chairman of the Board and the foreign non-executive director)	The report states that a portion of the non-executive directors' fees is paid based on attendance, this is an imperfect measure but it is a measure and as such is favoured by Active Shareholder. However, no break-down is provided of attendance and fixed fee. Increases of all fees other than the foreign fees (0%) and the Chairman's fee (22%) are proposed at 6.5% which is at the upper end	AGAINST	FOR 99.9%

	Resolution	Rationale	Vote	Outcome of AGM
		of inflation. No indication is given of the Gini Co-efficient in the company or of staff salary increases. No break-down of fees paid during the reporting period is provided and approved fees could not be reconciled to the AFSs. Additional fees were paid on an hourly rate and these appear to have been quite considerable – a random check showed fees paid to be higher than those authorised by 24% (Bosman) and 7% Hersov. Fees are reasonable for a company of this size, but the level of additional fees is not acceptable.		
10	Special resolution (increase in fees payable to the Chairman of the Board)	The Chairman's fee has increased by 22% with no explanation of the reasons for this extraordinary increase.	AGAINST	FOR 98.0%
11	Special resolution (increase in fees payable to the foreign non-executive director)	No increase is proposed and the fee is reasonable.	FOR	FOR 99.9%
12	Special resolution (increase in fees payable to members of the Remuneration, Nomination and Appointments Committee)	The increase of 6.5% is high but not unreasonable.	FOR	FOR 99.9%
13	Special resolution (increase in fees payable to members of the Audit and Risk Committee)	The increase of 6.5% is high but not unreasonable.	FOR	FOR 99.9%
14	Special resolution (increase in fees payable to members of the Social and Ethics Committee)	The increase of 6.5% is high but not unreasonable.	FOR	FOR 99.9%
15	Special resolution (increase in fees payable to Chairman of the Remuneration, Nomination and Appointments Committee)	The increase of 6.5% is high but not unreasonable.	FOR	FOR 99.9%
16	Special resolution (increase in fees payable to Chairman of the Audit and Risk Committee)	The increase of 6.5% is high but not unreasonable.	FOR	FOR 99.9%

	Resolution	Rationale	Vote	Outcome of AGM
17	Special resolution (increase in fees payable to Chairman of the Social and Ethics Committee)	The increase of 6.5% is high but not unreasonable.	FOR	FOR 99.9%
18	Special resolution (general authority to buy back shares)	No reasons are supplied for this resolution and the only limitations are that the repurchase may not exceed 10% of the issued shares and the price may not be 10% higher than the average price. A broad and sweeping resolution with no real reason given for the need for the resolution.	AGAINST	FOR 99.9%
19	Special resolution (financial assistance to Group entities)	The company in the normal course of business may need to provide financial assistance to subsidiary and related companies but this resolution places no limitations on such assistance and does not provide any information of the terms and conditions which will apply to such assistance. The authority is proposed to last for 2 years.	AGAINST	FOR 98.6%
20	Ordinary resolution to endorse the remuneration policy (non-binding advisory vote)	The remuneration committee consists of 4 non-executive directors, however 1 of those directors resigned during the year and has not been replaced at this time. Of the three remaining directors, 2 have served from more than 9 years and their independence needs to be addressed. The Report states that PWC conducted an independent benchmarking exercise but gives no further details of this. It further states that it used the PWC and the Deloitte Executive survey to benchmark executive salaries against the market median. This is the only information provided in the remuneration policy on executive and staff guaranteed packages. Short Term Incentives (STIs) are based on financial and non-financial targets but the only indication given on the weighting between the various targets or indeed what the targets are is that 25% is based on individual targets and 75% on financial targets. The Long Term Incentives (LTIs) consist of no fewer than 7 different schemes. Given the number of schemes information on calculating the rewards is limited. Insufficient information is provided on all three forms of remuneration to properly assess the remuneration of executives and staff.	AGAINST	FOR 92.5%

	Resolution	Rationale	Vote	Outcome of AGM
21	Ordinary resolution to endorse the implementation report (non-binding advisory vote)	<p>The remuneration report gives no indication of the increase in guaranteed pay for executives nor does it provide comparative figures. Looking back at last years report, guaranteed pay increased by 7%, no indication is given of what increases given to staff. Turnover increased by 1.9% and profit by 7%.</p> <p>Executive directors STI scores achieved were 42% for financial indicators and between 87% and 91% for individual targets. No additional details are provided, in particular for the high individual target performance vs the low financial target performance. A high level of discretion applies to the individual targets.</p> <p>LTI targets to payments could not be ascertained from the information provided</p>	AGAINST	FOR 92.9%

Outcome of the AGM

The AGM was well attended with approximately 80% of shares voted.

All resolutions were passed, most with overwhelming majorities. The exceptions were:

- ✘ Resolution 8 for the appointment of Mr Hersov to the audit committee. This is the second year in a row where approximately a quarter of the shareholders have opposed Mr Hersov's appointment to the audit committee. As noted above Mr Hersov cannot possibly be considered an independent director and should not serve on this committee. It is most surprising that the company continues with his appointment despite the obvious concern of the shareholders.
- ✘ Resolution 3 for the appointment of Mr Nühn to the board had some resistance – he is overcommitted.
- ✘ Resolutions 20 and 21 being the remuneration policy and implementation reports have some resistance.