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MMI HOLDINGS

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Annual General Meeting
26 November 2018
Financial Year End: 30 June 2018

Proxies voted
Labour Research Services
The Ditikeni Trust

The Integrated Annual Report (the Report) states *In the 2018 financial year, the MMI Board of Directors (MMI Board) decided to make certain changes in key management positions and initiated a strategic review to bring about a revitalisation of the group.* All three Executive Directors were appointed during 2018, and of the 12 member Exco 5 are new members. The report is a bit confusing regarding the clean sweep of executive directors and whether the company strategy continues or changes.

The company appears to be in need of fundamental change and the change in the executive directors and senior management is a first step. However, the board itself does not seem to be bringing in new and fresh members with far too many (58%) having served since the merger in 2010 and many of those appear (it is not disclosed) to have served on the boards or management of the constituent companies prior to that.

The remuneration of the executives is problematic given the poor performance of the company and the need to reward executives to turn it around (core headline earnings have declined from R 3 241m in 2013 to R 2 809 in 2018). However, remuneration committee discretionary awards are not going to solve the problem, appropriate and achievable targets with clear rewards are needed.

As with far too many reports, the report has not been designed for use as a pdf on a computer screen despite the company requesting shareholders to sign up for soft copy reports only.

	Resolution	Rationale	Vote	Outcome of AGM
	Ordinary Resolutions			
1	Election of directors appointed by the board	The following statistics have been compiled from information in the Report: - Independence: Indep. 80%, Exec. 20%, none listed as non-executive not independent. - Tenure (non-exec only): < 3yrs – 17%, 4 to 6 yrs – 8%, 6 to 9 yrs – 75%. - Diversity (non-exec only): White 58%, Male 92%, <50yrs – 8%, 50 to 59yrs – 42%, 60 to 69yrs – 50%. It is difficult to credit the fact that all the non-executive directors are independent as stated given the fact that 75% of them have served for more than 6 years, 58% of them having served for 8 years which is when the company merged and some at least of those served on the boards of the merging companies prior to that. Of the 4 directors seeking re-election, 2 were associated with the constituent companies for long periods prior to the merger. Diversity targets have not been set as recommended in King IV and the board is not doing very well on diversity with 92% male directors and 50% over 60 years old. The board needs some refreshing. All three new appointments to the board are executives, all are white and two are men. The company is a level 3 BEE supplier which is fairly good and states that it is focusing on improving the diversity of its middle and senior management, currently 58% of management are White and 58% are Male.		
1.1	Election of Mr R Ketola	Mr Ketola is the newly appointed Finance Director. He is suitably skilled and experienced.	FOR	FOR 99.5%
1.2	Election of Mr HP Meyer	Mr Meyer is the newly appointed CEO. He is suitably skilled and experienced. There must be a concern that at 59 he is relatively close to retirement age to be driving an organisation that despite what the Report says has clearly identified the need for change.	FOR	FOR 99.8%

	Resolution	Rationale	Vote	Outcome of AGM
1.3	Election of Ms JC Cilliers (Marais)	Ms Cilliers is the newly appointed deputy CEO. She is suitably skilled and experienced.	FOR	FOR 99.8%
2	Retirement by rotation and re-election of directors			
2.1	Re-election of Mr FJC Truter	Mr Truter, 62, has been a director since 2010 (the year the companies were merged). He is suitably skilled and experienced and his attendance record is impeccable. He is a director of 3 listed companies. Mr Truter is listed as an independent director however he joined Momentum (one of the constituent parts of MMI) in 1988 as CFO. This in itself is insufficient to oppose his appointment as a director.	FOR	FOR 95.4%
2.2	Re-election of Mr KC Shubane	Mr Shubane, 62, has been a director since 2010 (the year the companies were merged). He is suitably skilled and experienced and his attendance record is impeccable. He is a director of 2 listed companies.	FOR	FOR 98.7%
23	Re-election of Mr PJ Moleketi	Mr Moleketi is hopelessly over-committed. In addition to his position as a director of MMI, he is chairman of Brait, Vodacom, The Development Bank and PPC. As if that is not enough, he also sits on the boards of Remgro and Annuity Properties. Perhaps not surprisingly, Mr Moleketi's attendance record at 75% is not acceptable.	AGAINST	FOR 68.5%
2.4	Re-election of Mr JC van Reenen	Mr van Reenen, 63, has been a director since 2010 (the year the companies were merged). He is suitably skilled and experienced and his attendance record is impeccable. He is a director of 2 listed companies. Mr van Reenen served as a director of Metropolitan Holdings (one of the companies in the merger) from 2001. He has therefore been a director of MMI or part thereof for 17 years and as such his independence is of concern. This is insufficient reason to oppose his appointment to the board.	FOR	FOR 95.3%

	Resolution	Rationale	Vote	Outcome of AGM
3	Re-appointment of Pricewaterhouse Coopers Inc. as external auditors, with Mr Andrew Graham Taylor as the designated audit partner.	Pricewaterhouse Coopers (PWC) are one of the big international audit firms and are suitably skilled and experienced. The audit partner is named but the Report does not say if he has served for 5 or more years in this position. PWC state they have been auditors of the company for 39 years and this is way beyond the recommended limit after which the auditor's independence is questioned.	AGAINST	FOR 85%
4	Appointment of Audit Committee	The independence concerns raised under 1 above are of especial concern in appointing members of the Audit Committee. The audit committee report notes that the audit committee consists of 4 independent directors, however with the retirement of Mr Syd Muller a fourth director has not been nominated and the Report is silent on this.		
4.1	Re-appointment of Mr FJC Truter	As noted under 2.1 above, Mr Truter was CFO of Momentum from 1988 and as such, without further information, his independence is questioned. This is insufficient to oppose his appointment as a director but certainly he should not hold the position of chair of the audit committee.	AGAINST	FOR 98.3%
4.2	Re-appointment of Mr LL von Zeuner	Mr von Zeuner is suitably skilled and experienced to serve on this committee. He has an impeccable attendance record and no share dealings with the company are listed. There is a concern regarding his level of commitments but it is not yet sufficient to oppose his appointment.	FOR	FOR 99.8%
4.3	Re-appointment of Mrs F Daniels (Jakoet)	Ms Daniels is suitably skilled and experienced, and her attendance record is just acceptable. She is however a director of the following companies: MTN Nigeria Ltd, Rand Refinery Ltd, Tongaat Hulett Ltd, Clicks Group Ltd, JSE Ltd as well as MMI. She is over-committed.	AGAINST	FOR 99.5%

	Resolution	Rationale	Vote	Outcome of AGM
5	Non-binding advisory vote on MMI Remuneration Policy	The remuneration committee consists of 4 independent directors and the CEO and other Exco members attend by invitation only. Only 68% of shareholders supported the remuneration report at the 2017 AGM resulting in the company having to consult with shareholders. The outcome of this consultation is included in the Report together with the changes made in response to the issues raised. The Report states that salaries are benchmarked against the financial services sector but gives no details of who performs this benchmarking or the comparator companies used in the benchmarking. The report states that both Short-term Incentives (STIs) and Long-term Incentives (LTIs) are discretionary. This is of concern and we need to know the level of discretion. STI targets and weighting are clearly stated and understandable, this determines the STI bonus pool. However, whilst this clearly indicates if targets are met or not, the method of calculating the bonus pool is not disclosed and appears to be discretionary. In the implementation report it is clear that 35% of STI achievement is based on *board assessment,* which leaves a high level of discretion to the award. Individual targets are not disclosed nor are details of how this works. The policy leaves far too much to the discretion of the remuneration committee.	AGAINST	FOR 98.9%
6	Non-binding advisory vote on MMI Implementation Report	The Report states that salary increases for junior staff (below R 150k pa) were 6.5% with overall salary increase set at 5.5% and for senior executives at 4.7%. However, elsewhere in the Report it says executive salary increases were 5.1%, which is in fact the correct figure for annualised increases. The STI scorecard which determines the bonus pool seems to be rather soft, for example the target for new business was R 675m and the actual achieved was R 301m. Given that the amount achieved was less than 45% of the target it would be fair to assume that no points were awarded for what can only be seen as a failure, yet points are awarded.	AGAINST	FOR 61.8%

	Resolution	Rationale	Vote	Outcome of AGM
		There is no clear link between the bonus pool calculations and the actual amounts paid to executives. LTI's are based on ROEV (Return on Embedded Value) and the company is nowhere near achieving the targets and 2018 LTI's were forfeited. The outgoing CEO is being paid gardening leave and a fairly hefty bonus. It is clear that the declining fortunes of the company and consequently its ability to pay incentives is a problem for the remuneration committee, and by extension the shareholders. However, this cannot be solved by making discretionary awards to retain key individuals – realistic short and longer term targets need to be agreed based on where the company is now. Targets need to be achievable and realistic and linked to the performance of the company.		
7	Appointment of Director or Company Secretary to implement ordinary and special resolutions	This is an administrative matter and the Directors are obliged to implement the resolutions passed at the AGM.	FOR	FOR 100%
	Special Resolutions			
1	Approval of non-executive directors' remuneration	Non-executive directors' fees are subject to benchmarking but no details are given of the comparator companies nor does the report state who performs the benchmarking. The Chairperson, Deputy Chairperson, Board Member, Chairperson of the Board Committee/Subsidiary Board and Member of the Board Committee/Subsidiary Board fees increased by 5.5% while committee fees remained unchanged. The company performance has not been what shareholders and other stakeholders would like to see. Change at management level has now happened but there has been too little change at board level with many of the board having been involved in the company from the time before the merger – continuity and institutional knowledge are very important but so are fresh ideas and new approaches particularly when the old methods are clearly not working.		

	Resolution	Rationale	Vote	Outcome of AGM
		Under the circumstances increases are not supported. An attendance fee is a very imperfect measure of board performance but in the absence of any other measure it is the only tool available, MMI does not pay any attendance fees.		
1.1	Chairperson of the Board		AGAINST	FOR 99.9%
1.2	Deputy chairperson of the Board		AGAINST	FOR 99.9%
1.3	Board member		AGAINST	FOR 99.9%
1.4	Chairperson of Audit Committee		AGAINST	FOR 99.9%
1.5	Member		AGAINST	FOR 99.9%
1.6	Chairperson of Actuarial Committee		AGAINST	FOR 99.9%
1.7	Member		AGAINST	FOR 99.9%
1.8	Chairperson of Remuneration Committee		AGAINST	FOR 99.9%
1.9	Member		AGAINST	FOR 99.9%
1.10	Chairperson of Risk, Capital and Compliance Committee		AGAINST	FOR 99.9%
1.11	Member		AGAINST	FOR 99.9%
1.12	Chairperson of Social, Ethics and Transformation Committee		AGAINST	FOR 99.9%
1.13	Member		AGAINST	FOR 99.9%
1.14	Chairperson of Nominations Committee		AGAINST	FOR 99.9%
1.15	Member		AGAINST	FOR 99.9%
1.16	Chairperson of Fair Practices Committee		AGAINST	FOR 99.9%
1.17	Member		AGAINST	FOR 99.9%
1.18	Chairperson of Board Committee/Subsidiary Board*		AGAINST	FOR 99.9%
1.19	Member of Board Committee/Subsidiary Board*		AGAINST	FOR 99.9%
1.20	Ad hoc work (hourly)		AGAINST	FOR 99.9%

	Resolution	Rationale	Vote	Outcome of AGM
2	General approval to provide financial assistance for subscription or purchase of securities in related or inter-related entities in terms of section 44 of the Companies Act	This is a very broad and general resolution for the company to provide any assistance for any purchase of securities in terms of the Act for a period of two years. No limitations are set and no proper reasons are provided.	AGAINST	FOR 81.7%
3	General approval to provide financial assistance to related or inter-related entities in terms of section 45 of the Companies Act	Of course the company needs the authority to make loans and provide other financial assistance to its subsidiaries. However, an appropriate resolution with the requisite checks and balances should be tabled not a broad and open resolution to provide much wider support subject only to the constraints of the laws and regulations governing the company.	AGAINST	FOR 99.7%
4	General approval of share buy-back	Another of the general and broad resolutions that are being tabled at most AGMs regardless of whether the board has any intention of making a share buy-back or not.	AGAINST	FOR 98.9%

Results of the AGM

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

The most outstanding result was the clear rejection of the Remuneration Implementation Report by shareholders with 38% voting against this resolution. It requires a 75% approval failing which the company is obliged to consult with shareholders.

Although Mr Moleketi was returned to the board, more than 30% of shareholders voted against his reappointment. Mr Moleketi is by all accounts an honourable and hard-working man but he is hopelessly over-committed and this shows in his very poor attendance record at meetings.