



## BID CORPORATION LIMITED

<http://www.bidcorpgroup.com>

### Annual General Meeting

14<sup>th</sup> November 2019

Financial Year End: 30<sup>th</sup> June 2019

Proxies voted
The Ditkeni Trust
Labour Research Trust
Social Change Assistance Trust

The Integrated Annual Report (Report) touches all bases and is well presented (see below re format), we are pleased to note that the company states *we take a sustainability-based approach to product sourcing and Everything we do has the customer at heart.* The report gives key environmental indicators and a good ESG report.

The full audited Annual Financial Statements were not made available to shareholders last year and we noted that this was unacceptable, this year they are made available in full as part of the Report.

Board independence improves with 1 retirement and 2 new appointments, rather strangely no profiles are provided of the new appointees in the Report and they are not listed as directors in the section profiling the board but are listed as directors elsewhere in the Report.

The special resolution for the approval of directors' fees is most inadequate – a resolution should have a reason and the effect thereof clearly outlined. This resolution proposes significant changes without providing a proper reason and calculating the effect is extremely difficult.

This year the company has issued an impressive electronic Report with good links and easy to click through, fine if you have an enormous screen. For the majority of people with laptops it is completely unreadable as it is too small. So, you have to download the Report in pdf format and the links are not embedded so do not work, pages are in portrait format and not landscape, and many are laid as double page spreads which cannot be read on a laptop screen. A pity that the online report is only usable on such a large screen.

	Resolution	Rationale	Vote	Outcome of AGM
	<b>Ordinary Resolutions</b>			
1	Reappointment of external auditor	The 2018 Report the company would enter a tender process in 2019 financial year to appoint new auditors. We are presented with the appointment of a new firm of auditors and told it was a competitive process. This is not a reappointment but a new appointment. Price Waterhouse Coopers (PWC) are one of the big international audit firms. The audit partner is named.	FOR	FOR 100%
2	Re-election of directors	<p>The following board statistics are provided, an improvement on last year when we noted that no statistics were included in the Report:</p> <ul style="list-style-type: none"> <li>✘ Nationality: SA 78%, Australian 22%.</li> <li>✘ Gender: Male 78%, Female 22%.</li> <li>✘ Race: White 78%, Black 22%.</li> <li>✘ Independence: Indep 67%, Non-exec 11%, Exec 22%.</li> </ul> <p>One director retires this year and 2 new directors are nominated for appointment. This will change the statistics:</p> <ul style="list-style-type: none"> <li>✘ Nationality: SA 80%, Australian 20%.</li> <li>✘ Gender: Male 70%, Female 30%.</li> <li>✘ Race: White 70%, Black 30%.</li> <li>✘ Independence: Indep 70%, Non-exec 10%, Exec 20%.</li> </ul> <p>What is not reported on is the tenure of Independent Non-Executive directors. In determining tenure, we have considered service from the date of appointment of the combined Bidvest/Bidcorp company (only 1 executive directors date of appointment is that of the combined company, all others are the date of the formation of the new company or later):</p> <ul style="list-style-type: none"> <li>✘ Based on the board as listed: &lt;5yrs – 50%, 5 to 9yrs – 17%, &gt;9yrs – 33%. This does cause some concern as Independent directors only make up 67% of the board, this reduces to less than 50% if those with over 9 years’ service are considered as not independent. As the company as chosen to ignore service on the combined board the independence of these directors has not been addressed.</li> </ul>		

	Resolution	Rationale	Vote	Outcome of AGM
		<p>✘ Based on the board after the 1 retirement and 2 new appointments: &lt;5yrs – 71%, 5 to 9yrs – 14%, &gt;9yrs 14%. This presents a much better picture as regards independence.</p> <p>The company was started by Mr Joffe and he has vast experience, he continues to serve on the board and is clearly a strong and determined character. It is therefore of some concern that the chairman is a life-long friend of Mr Joffe. It is therefore, important that a new lead independent director be appointed to replace Mr Band who retires at the AGM and that that director be seen to be independent.</p>		
2.1	T Abdool-Samad	<p>This is not a re-election as per the resolution but an election as Ms Abdool-Samad is a new appointment. No profile is provided of Ms Abdool-Samad and she is not listed as a director under the relevant section on page 2 of the Report although page 170 lists her as a director.</p> <p>Ms Abdool-Samad, 45, is suitably skilled and experienced. She is listed on the company website as a director of Reunert Ltd, ABSA Ltd and a director of Long-4-Life. Given the number of subsidiary companies and committees of those board that she sits on we have a concern that she is becoming over-committed.</p>	FOR	FOR 99.9%
2.2	CL Rosenberg	<p>This is not a re-election as per the resolution but an election as Mr Rosenberg is a new appointment. As above, no profile is provided of Mr Rosenberg and his is not listed as a director on page 2 of the Report, although page 170 lists him as a director.</p> <p>Mr Rosenberg, 55, is suitably skilled and experienced and does not appear to be overcommitted.</p>	FOR	FOR 94.4%
2.3	DE Cleasby	<p>Mr Cleasby, 55, is the CFO a position he has held since the formation of the company. However, he served in that position for the combined company from 2007 and has a long history with the company.</p>	FOR	FOR 99.8%
2.4	B Joffe	<p>Mr Joffe, 70, is a non-executive director and is rightly not listed as an independent director. He is a founder of the group and has over 30 years' service with the combined group.</p> <p>His attendance record is impeccable and we are pleased that he is stepping back but continues to be involved in the company.</p>	FOR	FOR 95.8%

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2.5	DD Mokgatle	Ms Mokgatle, 63, is suitably skilled and experienced and has been a director for 3 years. She does not appear to be over-committed and her attendance record is impeccable.	FOR	FOR 99.7%
3	Election of audit and risk committee members	The concerns regarding the independence of the board are reduced with the retirement and appointment of new directors. Nevertheless, it is important that this committee be seen to be independent.		
3.1	T Abdool-Samad	Ms Abdool-Samad is a new appointment to the board (see 2.1 above), she is suitably qualified to serve on this committee.	FOR	FOR 99.7%
3.2	PC Baloyi	Mr Baloyi is suitably skilled and experienced to serve on this committee. He has been a director for 7 years and his attendance record is good.	FOR	FOR 95.0%
3.3	NG Payne	Mr Payne has been a director for 13 years so his independence is of concern. This has not been addressed in the Report as they have not considered service for the combined company but only since the formation of the new company – we disagree with this approach. Mr Payne is suitably skilled and his attendance record is impeccable. Given the overall composition of this committee, we overlook the concern of his independence.	FOR	FOR 94.9%
3.4	H Wiseman	Ms Wiseman has been a director for 3 years and is suitably skilled and experienced to serve on this committee. Her attendance record is impeccable and her report as chair of the audit committee is comprehensive.	FOR	FOR 99.9%
4	Endorsement of Bidcorp remuneration policy – non-binding advisory vote	The Remuneration Committee (Remco) consist of 3 independent directors, we do have a concern that 2 of them have served for more than 9 years and as noted under point 2 above their independence has not been addressed by the board. The CEO and CFO only attend meetings by invitation, however this seems to be a standing invitation rather than invitation as required. The independent advisors are named in the report. The 2018 AGM approved the Remuneration Policy and Remuneration Implementation reports with 94.8% and 93.6% of support respectively.		

	Resolution	Rationale	Vote	Outcome of AGM
4.1	Remuneration policy	<p>Remuneration consists of Guaranteed Pay, Short Term Incentives (STIs) and Long Term Incentives (LTIs). All elements of pay are subject to annual benchmarking but the companies against which they are benchmarked are not named and the Report does not say who does the benchmarking.</p> <p>No policy changes are proposed for the Guaranteed Pay and the Report is woefully inadequate in providing details of the policy regarding Guaranteed Pay.</p> <p>STIs are based on HEPS (Headline Earnings Per Share) and ROFE (Return On Funds Employed), we are given no indication of how targets are set nor of the weighting of these metrics. The Report states that <i>Non-financial, strategic objectives, such as leadership, are also considered to determine the quantum of bonuses paid</i>, but no indication is given of what these objectives are nor of the weighting or how they are applied. The Implementation Report provides the information that the weighting is: HEPS 50%, Rofe 30%, and Non-Financial 20%.</p> <p>We are told that STIs are paid at 100% of Guaranteed Pay on Target or 160% on Stretch, we are not told what this is at Threshold. The Policy report does not mention Threshold but the Implementation Report introduces Threshold in addition to Target and Stretch.</p> <p>We are pleased that clawback provisions are now being introduced for STIs.</p> <p>LTIs consist of a Conditional Share Plan (CSP) and we are told <i>Award levels are set according to best practice benchmarks and to ensure support of group business strategy</i>. We are further told that the metrics are: HEPS, TSR (Total Shareholder Return), ROFE, and KPIs (Key Performance Indicators). The weighting of the metrics is only included in the Implementation Report with HEPS 50%, TSR 20%, ROFE 20%, and KPIs 10%.</p> <p>The Report does not state in Policy or Implementation what LTI's are as a percentage of Guaranteed pay at Threshold, Target and Stretch. We are pleased that malus and clawback provisions are now being introduced for LTIs.</p>	AGAINST	FOR 96.1%

	Resolution	Rationale	Vote	Outcome of AGM
		<p>The requirement to present shareholders with separate Policy and Implementation reports does necessarily result in some duplication, alternatively the reports must cross-reference relevant information. This report does neither and the shortage of information in the Policy report is not acceptable, in particular the weighting of the metrics should be provided in the policy report.</p> <p>Neither report gives adequate information on the KPIs.</p> <p>Neither the Policy nor the Implementation report provide the percentage linkage between LTIs and Guaranteed Pay. Calculating the figures provided in the bar graph showing below performance, on target and stretch produced different figures for the CEO and CFO. Again no bar graph was included for Threshold.</p> <p>There is insufficient detail provided to reach any meaningful conclusion on the Remuneration Policy Report.</p> <p>We are concerned that soft targets such as staff turnover through to customer satisfaction are not even mentioned in the report.</p> <p>We therefore oppose the resolution.</p>		
4.2	Implementation of remuneration policy.	<p>The Report states that Guaranteed Pay increases are based on benchmarking but we are not told who does the benchmarking or the names of the companies used in the benchmarking nor if they are comparing to the upper or mid quartile. From our sample of companies, we note that Guaranteed Pay is in the upper quartile. We are not told what staff or other management increases were.</p> <p>The CEO is paid in Australian dollars and his increase for 2019 was 3.56% against Australian inflation rate of 1.3% and it is proposed that his increase for 2020 be 3.13% against Australian inflation of 1.6%.</p> <p>The CFO is paid in Rands and Sterling, no explanation is provided for this split, although a previous report stated that this was in recognition of international travel, we would assume however that the CFO's travel, accommodation and daily allowance are paid for his travel so fail to understand the need for remuneration in Sterling. In 2019 his increase was 5.7% on the Rand amount against an inflation rate of 4.6% and 3% on the Sterling amount against an inflation rate of 1.6%,</p>	AGAINST	FOR 95.6%

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		<p>and in 2020 the Rand amount increased by 5.17% against an inflation rate of 4.5%, and the Sterling amount increased by 3.56% against an inflation rate of 1.7%.</p> <p>Increases are clearly consistently higher than inflation.</p> <p>No further explanations on increases are provided nor are the increases contextualised in terms of general salary increases in the company or reasons provided for the increases.</p> <p>The STI Target for HEPS was 5% real growth, the actual real growth was 7.7%. Threshold at which a bonus becomes payable is 2.5% which is below inflation, under the LTI implementation it does state <i>constant currency HEPS growth in excess of Bidcorp inflation</i>, it also uses 2.5% as the Threshold so perhaps this is in excess of Bidcorp inflation.</p> <p>The STI Threshold for ROFE was 32.5% and the actual was 32.6%, The STI Non-Financial outcome <i>including performance on staff development, innovation, acquisitions, improving performance of laggard operations, etc</i> was achieved but no further information is provided to assess this nor is it feasible on the information available to determine if these targets are appropriate.</p> <p>In addition, a further amount of 10 percentage points was added to the bonus based on a <i>positive discretionary adjustment of 10% applied to the formula above was provided to reflect the better than anticipated outcomes of the disposal process of discontinued operations.</i></p> <p>The total STI was thus 107% of Guaranteed Pay.</p> <p>The LTI targets are set at: HEPS (as for STI) 2.5% is threshold, HEPS is 80% of peer group performance for threshold (peer group companies are named, ROFE is as per STI targets above ie 32.5% for threshold, Non-Financial targets are not provided.</p> <p>As noted under policy no details are provided of Threshold, Target and Stretch LTIs as a percentage of Guaranteed Pay. The LTIs are based on a 3 year average and vest in tranches based on Threshold, Target and Stretch (this is not included in Policy). No shares vest in the current period.</p>		

	Resolution	Rationale	Vote	Outcome of AGM
		The report is short on a number of key details which are not explained nor are we given any explanation of how targets are arrived at. No adequate explanation is provided of Guaranteed Pay increases and the reason for the split in currency of the payment to the CFO. There is insufficient information regarding KPI and Non-Financial targets.		
5	Amendments to the conditional share plan (CSP) scheme	Unfortunately, whilst it appears that the amendments to the CSP scheme are the introduction of malus and clawback provisions which we support, the information provided in the Notice of the AGM is insufficient. It states <i>The amended CSP scheme, as approved by the JSE, is available for inspection at the offices of the company.</i> To be able to support this resolution the amendments and preferably the amended document should be available to shareholders.	AGAINST	FOR 99.9%
6	General authority to directors to allot and issue authorised but unissued ordinary shares	This is a very broad power which the directors are requesting, subject only to the laws and regulations they wish to be able to issue up to 5% of the issued share capital of the company <i>at such times, at such prices and for such purposes as they may determine, at their discretion.</i> We need to be told the circumstances and reasons under which such shares may be issued.	AGAINST	FOR 91.2%
7	General authority to issue shares for cash	This resolution is an improvement on resolution 6 above in that the price at which such shares may be issued for cash may not be at a discount of more than 10%. Again, we need more information as to the circumstances and reasons under which such shares may be issued.	AGAINST	FOR 88.9%
8	Payment of dividend by way of pro rata reduction of stated capital	The payment of dividends provided they do not negatively affect the company solvency are supported	FOR	FOR 98.5%
9	Creation and issue of convertible debentures	As noted last year and as above with the issue of new shares we would support the issue of these debentures if the resolution or Report provided details of the reasons for the issue of such shares and those reasons were fair and valid. No such reasons are provided	AGAINST	FOR 88.3%
10	Directors' authority to implement special and ordinary resolutions	An administrative matter.	FOR	FOR 98.8%

	Resolution	Rationale	Vote	Outcome of AGM
	<b>Special Resolutions</b>			
11	General authority to acquire (repurchase) shares	In general, we do not support the repurchase of shares, this resolution is far more detailed than the resolutions regarding the issue of new shares and debentures. Nevertheless, it does state that the directors have no immediate intention of repurchasing shares – this is a catch-all resolution which the board has little or no intention of acting on.	AGAINST	FOR 99.4%
12	Approval of non-executive directors' annual fees – 2019/2020	<p>The Report states <i>The fees now comprise an annual fee where previously fees comprised an annual retainer component and attendance fee for scheduled meetings</i>, we consider this a step backwards. An attendance fee provides some measure of performance albeit a rather blunt measure, and as such consider it a minimum requirement.</p> <p>We are told fees have increased based on a benchmarking exercise, we are not told how much any fees have increased, we are now given a total fee whereas previous fees were basic plus attendance fees.</p> <p>The Report makes it extremely difficult to compare and calculate increases; first the meeting and basic fees need to be extracted from the 2018 report, the number of meetings needs to be determined from the various committee reports in the 2019 IAR and then the 2018/19 fee can be calculated to compare to the proposed fee on the 2019 Notice.</p> <p>Fee increases are substantial and as such there should be a proper and reasoned motivation including details of any benchmarking exercise. The increases are far from uniform and no proper pattern could be established.</p> <p>There is no proper motivation for the increases and the resolution does not include the effect of these increases nor the reasons therefore. Mr Joffe's substantial consulting fee is not adequately dealt with in the report and we are not provided an opportunity to vote on this.</p>		
12.1	Chairman	The fee increases 14.5% with no justification for such an increase. The Chairman has a responsibility to ensure that all fees are presented including that of Mr Joffe.	AGAINST	FOR 98.7%

	Resolution	Rationale	Vote	Outcome of AGM
12.2	Lead independent non-executive director (SA)	Assuming attendance at 4 board meetings, the fee increases 60.9% with no explanation.	AGAINST	FOR 99.7%
12.3	Lead independent director (International) (AUD)		AGAINST	FOR 98.8%
12.4	Non-executive directors (SA)	Assuming attendance at 4 meetings, the fee increases 53.8% needs to be justified. We oppose the removal of the attendance fee.	AGAINST	FOR 99.7%
12.5	Non-executive directors (International) (AUD)		AGAINST	FOR 98.7%
12.6	Audit and risk committee chairman (International) (AUD)	The fee increases 9.9% in Aus \$ which is a high increase in that currency.	AGAINST	FOR 99.7%
12.7	Audit and risk committee chairman (SA)		AGAINST	FOR 99.7%
12.8	Audit and risk committee member (SA)	This fee declines by 16% with no explanation.	AGAINST	FOR 99.6%
12.9	Audit and risk committee member (International) (AUD)		AGAINST	FOR 98.8%
12.10	Remuneration committee chairman (SA)	This fee increases 8.9%, see below members fees increased 74.4%.	AGAINST	FOR 99.2%
12.11	Remuneration committee chairman (International) (AUD)		AGAINST	FOR 99.7%
12.12	Remuneration committee member (SA)	This fee increases 74.4%.	AGAINST	FOR 99.7%
12.13	Remuneration committee member (International) (AUD)		AGAINST	FOR 99.7%
12.14	Nominations committee chairman (SA)	This fee increases 19.1%.	AGAINST	FOR 99.2%
12.15	Nominations committee chairman (International) (AUD)		AGAINST	FOR 99.7%
12.16	Nominations committee member (SA)	This fee increases 73.3%.	AGAINST	FOR 99.7%
12.17	Nominations committee member (International) (AUD)		AGAINST	FOR 99.7%

	Resolution	Rationale	Vote	Outcome of AGM
12.18	Acquisitions committee chairman (SA)	This fee decreases 15%.	AGAINST	FOR 99.2%
12.19	Acquisitions committee chairman (International) (AUD)		AGAINST	FOR 99.7%
12.20	Acquisitions committee member (SA)	This fee decreases 25%.	AGAINST	FOR 99.7%
12.21	Acquisitions committee member (International) (AUD)		AGAINST	FOR 99.7%
12.22	Social and ethics committee chairman (SA)	Fee remains flat.	AGAINST	FOR 99.7%
12.23	Social and ethics committee chairman (International) (AUD)		AGAINST	FOR 99.7%
12.24	Social and ethics committee member (SA)	Fee remains flat.	AGAINST	FOR 99.7%
12.25	Social and ethics committee member (International) (AUD)		AGAINST	FOR 99.7%
12.26	Ad hoc meeting (SA)	Fee increases 40%.	AGAINST	FOR 99.7%
12.27	Ad hoc meeting (International) (AUD)		AGAINST	FOR 99.9%
12.28	Travel per meeting cycle (SA)		AGAINST	FOR 99.9%
12.29	Travel per meeting cycle (International) (AUD)		AGAINST	FOR 99.9%
13	General authority to provide financial assistance to related or inter-related companies and corporations	We recognise and support the need for the company to provide financial assistance to related companies. However, the resolution must set all relevant facts and provide proper reasons and effects.	AGAINST	FOR 97.9%

	Resolution	Rationale	Vote	Outcome of AGM
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**Results of the AGM**

The meeting was well attended with 80% of shares present in person or by proxy, up from 75% last year. Approximately 60% of resolutions were devoted to approving non-executive directors' remuneration, this is a very tedious and time-consuming process which perhaps distracts from more important issues.

All resolutions were passed with significant majorities. There is some growing resistance to the issuing of shares with approximately 10% of shareholders voting against these resolutions.