



BIDVEST GROUP LIMITED

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Annual General Meeting

28th November 2019

Financial Year End: 30th June 2019

Proxies voted
The Ditikeni Trust
Labour Research Services
SCAT

The board has seen a lot of change over the last 2 years with 50% of non-executive directors appointed in the last 2 years and most long-serving directors retiring. There are now 10 directors of which 4 are executive directors, last year there were 15 directors of which 5 were executives, this is a high percentage of executives.

The board chairman is seeking election to the audit committee which is contrary to the King report.

Executive director base pay increases appear to be excessive with insufficient explanation.

Queries were promptly dealt with by the company and contact details are clearly provided including email addresses and telephone numbers.

The Report makes good use of info-graphics, it is however designed as a printed report and not for use on a computer screen so many of the graphics and tables spread over two pages. It is long overdue that companies design their reports for use on a computer screen. The Report has no index, it is cross referenced but there are no embedded links

	Resolution	Rationale	Vote	Outcome of AGM
1	To present the Annual Financial Statements (AFSs) of the Group	It is always pleasing to have the AFSs presented and for the opportunity for shareholders to ask questions. We would prefer the AFSs to be presented for adoption by the meeting		
2	To present the report of the Report of the Social and Ethics Committee	As above it is pleasing that this report is presented and for the opportunity to ask questions but we would prefer the opportunity to adopt the report.		
3	Ordinary Resolutions			
1	To vote on the election, each by way of a separate vote, of the following directors who are required to retire in terms of clause 39.3 of the Company's MOI, and who are eligible and have offered themselves for re-election	<p>The Report states ...<i>a business whose behavioural norms and everyday actions translate into honesty, integrity, accountability and respect.</i></p> <p>The Governance Report presents various board statistics which we could not agree, there have been a number of changes to the board and it is difficult to ascertain at what point these statistics were calculated. Two non-executive directors resigned and one retired during the year. After the financial year-end a new non-executive director was appointed and two retire at the AGM, in addition one of the executive directors will step-down at the AGM. The following statistics have been calculated as the board will be after these changes (2018):</p> <ul style="list-style-type: none"> ✘ Independence: Indep. non-exec. 60% (67%), Exec. 40% (33%). ✘ Diversity: Black 50% (47%), Female 40% (47%). ✘ Tenure (non-exec): average 3.7yrs; <3yrs – 50%, 6 to 9yrs – 50%. <p>Details of directors' skills are presented.</p> <p>Last year we noted that the board was particularly large with 15 directors of which 5 were executive directors. There has been considerable change and the board now comprises only 10 directors of which 4 are executive directors.</p> <p>The number of executive directors has been reduced and although 4 non-executives is a relatively high number, 1 is the CEO and 1 is the CEO designate.</p> <p>The concern now is that there has perhaps been too much change and the danger of loss of institutional knowledge; 50% of the non-executive directors have served for less than 3 years.</p>		

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1.1	Ms S Masinga	Ms Masinga, 52, is suitably skilled and experienced. She has served on the board for 6 years and prior to that served on the board of a company acquired by Bidvest. Her attendance record at board and committee meetings is acceptable. She does not appear to be overcommitted.	FOR	FOR 95.8%
1.2	Ms NT Madisa	Ms Madisa, 40, is the CEO designate and has served on the board for 6 years. She is suitably skilled and experienced.	FOR	FOR 99.7%
2	To vote on the election of Mr BF Mohale who was appointed by the board in terms of clause 39.2 of the MOI after the previous AGM and who will cease to hold office at the end of the AGM, unless he is elected at the AGM. Mr Mohale was appointed as a director with effect from 1 July 2019	Mr Mohale, 57, was appointed to the board during the year. He is suitably skilled and experienced and his attendance record since his appointment is impeccable. He does not appear to be overcommitted.	FOR	FOR 99.9%
3	Resolved that the re-appointment of PricewaterhouseCoopers Inc., as nominated by the Group's audit committee, as the independent external auditor of the Group. It is noted that Mr Craig West is the individual registered auditor who will undertake the audit for the financial year ending 30 June 2020, being the designated auditor in terms of section 90 of the Act.	The Report states: <i>Following a comprehensive tender process, PricewaterhouseCoopers Inc. (PwC) with Mr Craig West as designated audit partner, was nominated as the new external auditor with effect from 28 November 2018.</i> PwC are one of the big four international firms and are capable of performing the audit. As noted above this is their first year of appointment and the audit partner is named.	FOR	FOR 99.9%
4	To vote on the election, each by way of a separate vote, of the members of the audit committee of the Company, to hold office until the end of the next AGM, namely	The audit committee is perhaps the most important sub-committee of the board. It is important that this committee be independent and well qualified. In the case of Bidvest a high percentage of directors have served for less than 3 years and as such this committee needs to retain institutional knowledge. We are concerned that 2 of the appointees have only served on the board for a year.		

	Resolution	Rationale	Vote	Outcome of AGM
4.1	Mr NW Thomson	Mr Thomson, 68, as a CA(SA) is suitably skilled and experienced to serve on this committee. He has been a director for 1 year and is not overcommitted.	FOR	FOR 99.9%
4.2	Ms RD Mokate	Ms Mokate, 61, is well qualified and experienced. As with Mr Thomson she has only served on the board for 1 year. We are concerned about her level of commitments.	FOR	FOR 94.4%
4.3	Mr EK Diack	Mr Diack as the Chairman of the company may not serve on this committee, KingIV states <i>The chair should not be a member of the audit committee</i> . This is for good reason and is perfectly clear.	AGAINST	FOR 87.4%
5	General authority to directors to allot and issue authorised but unissued ordinary shares	This resolution empowers the directors to issue up to 5% of the issued share capital of the company for whatever reason, price and terms at their discretion. The only limitations being those of the Act, the MoI and the various regulations. We cannot support such a broad and unlimited resolution.	AGAINST	FOR 92.0%
6	General authority to issue shares for cash	As with resolution number 5 above this resolution is only limited by the laws and regulations and is limited to 5% of the issued share capital, with the additional limitation that the shares may not offer a discount greater than 10% of the average price. As above we cannot support such a broad and unlimited resolution.	AGAINST	FOR 90.8%
7	Payment of dividend by way of pro rata reduction of share capital or share premium	We support the payment of dividends subject to the liquidity requirements of the company.	FOR	FOR 99.9%
8	Directors' authority to implement special and ordinary resolutions	This is an administrative matter.	FOR	FOR 99.9%
9	Ratification relating to personal financial interest arising from multiple offices in the Group	This resolution is somewhat confusing. The intention is to reduce conflicts of interest by ratifying resolutions or agreements which directors or prescribed officers have entered into in contravention of section 75 of the companies, but only in so far as such resolutions or agreements relate to their position as director and/or prescribed officer of another company within the Bidvest group. Section 75 deals with personal interests so it is perhaps unnecessary to present this resolution but the key issues is only in their position as director or officer of another company within the group.	FOR	FOR 98.8%

	Resolution	Rationale	Vote	Outcome of AGM
	To endorse, on an advisory basis, the Company's remuneration policy	<p>The Remuneration Committee (Remco) consist of independent directors (as noted above we do not have concerns regarding the independence of this board), the CEO and the CFO attend Remco meetings, seemingly, by standing invitation. We favour executives only attending Remco meetings as and when required.</p> <p>The payroll consultants are named although all their duties are not outlined in detail.</p> <p>We do not favour the level of discretion allowed the Remco in awarding ex gratia payments.</p> <p>We are pleased that the policy now includes malus and clawback provisions.</p> <p>Executive directors are on one months' notice, we favour longer notice periods for key executives.</p> <p>STIs (Short Term Incentives) are based on financial targets consisting of HEPS (Headline Earnings Per Share) 40% and ROFE (Return On Funds Employed) 30% and strategic targets of Sustainability and transformation 15%, and business enhancements and acquisitive growth 15%.</p> <p>The STI HEPS threshold target is being reduced to CPI (Consumer Price Index) less one percentage point. This appears to be setting a very low bar at which executives will be paid a bonus equal to their annual base package.</p> <p>LTIs (Long Term Incentives) consist of a CSP (Conditional Share Plan) which vests over 3 years 75% and 4 years 25%. The metrics used are HEPS growth 40%, TSR (Total Shareholder Return) measured against a peer group 20%, ROFE 20% and the same strategic targets used for the STI awards 20%. The peer group companies used for TSR are named.</p> <p>HEPS growth of inflation only and TSR at 80% of peer group appear to be rather soft targets.</p> <p>There appear to be no personal targets or measures in the STI and LTIs.</p>	AGAINST	FOR 94.2%

	Resolution	Rationale	Vote	Outcome of AGM
		The STIs and LTIs are largely based on the same metrics, we are not provided with the weighting applicable to those metrics and there is insufficient linkage between remuneration and the company's strategy. There is no incentive to ensure the target market/s are satisfied. The high STI reward based on TSR is not favoured as this is subject to many external factors.		
	To endorse, on an advisory basis, the implementation report of the Company's remuneration policy	<p>Guaranteed pay increases were made after considering the average increases awarded to staff although we are not told what such increases were, and benchmarks. These are the same factors which were used last year. This resulted in an aggregate increase of 12% after last years reported increase of 10% (we calculated it at 11%) and 7% in 2017. A compound increase of 33% over 3 years, a very high increase. Total executive director pay increases were in fact 30.8%, far from the reported 12%. Individual increases were (2018 in brackets): CEO 44.1% (11.5%), CEO designate 7.5% (13.4%), McMahon 39.7% (11.2%), Dawe 15.2% (7.4%), CFO 27.6%.</p> <p>The CEO's base salary has increased by 60.7% over the last two years. No explanation is provided for these extraordinary increases. STIs based on the targets as outlined in Remuneration Policy above which targets we consider rather soft and which have now been reduced, provided for cash bonuses of CEO 152.7% of guaranteed pay and other directors 138.8% of guaranteed pay. LTIs against the targets were CEO 117% of guaranteed pay and other directors 119% of guaranteed pay. We could not ascertain how this was calculated.</p> <p>We do not support the extraordinary increases in base pay.</p>	AGAINST	AGAINST 33.2%
	Special Resolutions			
1	Approval of non-executive directors' fees for services as directors, for the period commencing 1 July 2019 until this resolution is replaced.	<p>Non-executive directors' fees consist of a fixed fee plus an attendance fee, we favour the payment of attendance fees.</p> <p>Increases at 6% are high but not extraordinary, we are concerned that increases last year were 6% as well and the cumulative effect of this will be problematic.</p>	FOR	FOR 99.5%

	Resolution	Rationale	Vote	Outcome of AGM
2	General authority to acquire/repurchase shares	We do not support general authorities to acquire shares as these may be detrimental to the interests of minority shareholders.	AGAINST	FOR 99.3%
3	General authority to provide financial assistance to related or inter-related companies and corporations	The need to provide financial assistance to related companies is clear, however the information provided for this special resolution is insufficient.	AGAINST	FOR 98.2%

Results of the AGM

The meeting was well attended with 81% of shares present in person or by proxy, a similar level to last year's 80%. However, only 9 people attended the meeting in person, it does not report on what percentage shares those people were voting.

All resolutions other than the advisory vote on the Remuneration Implementation Report were approved. Shareholders are invited to take part in a consultation regarding this report. We have dealt with this in our voting recommendations above.