



HULAMIN LIMITED

<http://ir.hulamin.com/>

Annual General Meeting

26 April 2018

Proxies voted

Labour Research Trust

The website was easy to navigate and reports were quickly found and downloaded. In general the Integrated Annual Report is a comprehensive report including information on scrap use, energy consumption, water use and carbon emissions and human capital. There is a separate Sustainability Report but the latest such report was for the year ended 31 December 2016.

The report does touch on all issues and all seems good, however issues such as the decision not to appoint a Lead Independent Non-Executive Director undermine confidence in statements in the report:

King IV states: *"The governing body should appoint an independent non-executive member as lead independent director to fulfil ..."*

The report states: *"Hulamin remains dedicated to uphold good corporate governance standards, in line with best practice, King IV..."*

It is not acceptable to be selective about the application of King IV or any other code or legislation.

The report is informative and apart from the point noted below re the pdf version, the infographics are helpful.

Pages in landscape format interspersed with portrait pages may work in the printed version of the report and in addition double page spreads will work in the printed version but certainly do not work in the pdf version of the report. Shareholders are encouraged to download the pdf of the report which is well and good however care needs to be taken to ensure that the report works in the pdf version if the company is serious about not printing a copy of the report for each shareholder.

	Resolution	Rationale	Vote	Outcome of AGM
1	Approval of the appointment of Ernst & Young as the independent auditors of the company with Mr Sifiso Sithebe as the designated auditor	<p>The company is recommending a change in auditors from Price Waterhouse Coopers who have served as auditors for 68 years. They note that the rotation of auditors is impending and the change is made for that reason.</p> <p>A tender process was initiated and Ernst & Young were identified as the preferred auditors.</p> <p>The auditors have issued a clean audit report.</p> <p>The audit partner is noted.</p>	FOR	FOR 100%
2	Re-election of retiring directors:	<p>The company's Memorandum requires directors to retire by rotation after 3 years' service.</p> <p>The report is satisfied that the board is suitably diverse, and provides the following statistics:</p> <ul style="list-style-type: none"> ✘ 63% independent non-exec, 19% non-exec and 18% exec. ✘ 43% black male, 19% black female and 38% white male. <p>The following additional statistics may be extracted from the information provided:</p> <ul style="list-style-type: none"> ✘ 31% over 60 years old ✘ 38% 50 to 60 ✘ 31% 40 to 50 ✘ 81% of directors and 83% of the executive team male <p>It is a very big board with 16 directors.</p> <p>See resolution 2.5 below, the company's classification of directors as independent is perhaps not shared by all.</p> <p>No lead independent director has been appointed as recommended by King IV, no reason was given for this decision.</p>		

	Resolution	Rationale	Vote	Outcome of AGM
2.1	NNA Matyumza	<p>Ms Matyumza 54, has been a director since 2010. She serves on the audit committee, the chairman's committee and she chairs the remuneration and nomination committee.</p> <p>She has the necessary qualifications and experience to serve on the board.</p> <p>Ms Matyumza's attendance record for 2017 is disappointing, she only attended 76% of all meetings (only 71% board meetings attended, 60% of audit committee meetings, 100% of remco meetings and 80% of chairman's committee meetings).</p> <p>The report does not list the directors other commitments in full, Bloomberg however, list the following directorships for Ms Matyumza: WBHO Ltd plus subsidiary company, Cadiz Ltd, Sasol Ltd, Standard Bank Ltd plus subsidiary company and of course Hulamin.</p> <p>Ms Matyumza has a poor attendance record and is overcommitted – possibly not unconnected matters.</p>	AGAINST	FOR 86.46%
2.2	SP Ngwenya	<p>Mr Ngwenya 64, has been a director since 2007, as such his independence is of concern but he is not listed as an independent director. He only serves on one committee – Social and Ethics.</p> <p>He is suitably qualified and experienced.</p> <p>Media reports in 2012 state that Mr Ngwenya was paid a success fee for the awarding of the Gautrain contract to Bombela, the amount of which was disputed https://mg.co.za/article/2012-05-31-first-evidence-of-payoffs-in-contract-for-gautrain</p> <p>His attendance record for 2017 is poor with only 71% of board meetings attended, a 100% attendance for the Social and Ethics committee improves his overall attendance to 80%.</p> <p>Mr Ngwenya is the Executive Chair of Makana Investment Corp, and Bloomberg list other positions as: Chairman of Sebenza Forwarding and Shipping, Non-exec Chair of Cadiz, a director of Alumicor and director of Hulamin. The Report lists Chair of SA Airlink, Heart 104.9 and Igagasi 99.5 and Sebenza Forwarding and Shipping.</p> <p>As with Ms Matyumza, Mr Ngwenya's attendance at board meetings is poor and he is overcommitted.</p>	AGAINST	FOR 85.13%

	Resolution	Rationale	Vote	Outcome of AGM
2.3	RG Jacob	Mr Jacob 52, the CEO since 2010 and has been a director since 2007. As CEO he attends all committees other than the Audit committee. He is qualified and suitably experienced and has served the company in various positions since 1990. His attendance record is excellent at 100% for all meetings.	FOR	FOR 100%
2.4	VN Khumalo	Mr Khumalo 55, joined the board in 2006 and as such his independence is of concern but he is not listed as an independent director. He serves on the Chairman's committee and chairs the Social and Ethics committee. He attends the audit committee by invitation. He is well qualified and experienced to serve on the board. His attendance record is good with 100% of board meetings attended, 100% of Social and Ethics Committee meetings, 50% of Chairman's committee and 80% of audit committee meetings. He is not overcommitted with 2 listed company directorships and various private company directorships.	FOR	FOR 86.52%
2.5	PH Staude	Mr Staude 64, joined the board in 2007 and as such his independence is of concern – he is listed as an independent director – see below. He is chairs the Risk, Safety and Health committee and serves on the Chairman's committee. He is well qualified and experienced to serve as a director. His attendance is poor with 71% of board meetings attended, 100% Risk, Safety and Health, and 40% of Chairman's committee an overall attendance of 67%. Bloomberg state that Mr Staude was Chairman of Hulamin from 2002 to 2007, MD of Hulett Aluminium from 1996 to 2002, MD of Hulamin Products from 1990 to 1996 and CEO of Tongaat Hulett from 2002 a position he continues to hold. Hulamin unbundled from Tongaat Hulett in 2007. Mr Staude's loyalty and experience is self-evident, however he cannot possibly be considered an <u>independent</u> director.	AGAINST	For 75.75%

	Resolution	Rationale	Vote	Outcome of AGM
3	Ratification of the appointment of the following directors on 1 April 2017:			
3.1	AT Nzimande	Ms Nzimande 47, joined the board in 2017. She sits on the Social and Ethics committee. She is well qualified and experienced to serve as a director. Her attendance record since her appointment in April 2017 is excellent at 100%. The level of her commitments is of concern with directorships of: Paracon, First Rand and Verimark as well as Hulamin.	FOR	FOR 100%
3.2	RL Larson	Mr Larson 62, joined the board in 2017. He is suitably qualified and experienced to serve as a director. His attendance record since his appointment in April 2017 is excellent at 100%. No other directorships could be found.	FOR	FOR 100%
4	Appointment of group Audit Committee members and chairman of the group Audit Committee:			
4.1	N Maharajh as chairman	Mr Maharajh 51, was appointed a director in 2016 and has served on the audit committee since Feb 2017. He serves on no other committees. He is suitably qualified and experienced to chair the audit committee. He had a 100% attendance record at board and committee meetings in 2017. Mr Maharajh is a director of Comair, BCA Inc, CBF Holdings as well as Hulamin and some private companies and serves on the Council of UKZN. His level of commitments is becoming a concern.	FOR	FOR 100%
4.2	CA Boles	Mr Boles 48, was appointed a director in 2016 and served on the Remuneration and Nomination committee, attending the Audit and Chairman's committees by invitation. He is suitably qualified and experienced to serve on the audit committee. He had a 100% attendance record at board meetings and a 75% attendance at Remco meetings. No directorships other than those listed could be found.	FOR	FOR 100%
4.3	NNA Matyumza	See 2.1 above	AGAINST	FOR 96.81%

	Resolution	Rationale	Vote	Outcome of AGM
5	Approval of the proposed Equity-Settled Conditional Share Plan	A new share participation scheme is proposed comprising Performance Shares, Bonus Shares and Retention Shares. It seems rather complicated. The decision as to who will be eligible for shares will be at the discretion of the Remco. In general the scheme leaves far too much at the discretion of the Remco which we cannot support.	AGAINST	FOR 94.12%
6	Special resolution number 1: Approval of non-executive directors' fees	The total quantum of fees is not excessive when compared to other companies within our sample. The increases of the previous year are approximately 5.5%. The relationship between the chairman's fee and other directors' fees is reasonable. Fees include an attendance component.	FOR	FOR 100%
7.1	Special resolution number 2.1: Amendment to clause 31.6 of the Memorandum of Incorporation	The current clause 31.6 requires proxy forms to be delivered to the company at least 48 hours before a meeting. A recent court ruling (Clearwater) allows for proxy forms to be delivered up to the time of the start of the meeting. This change brings the Memo into line with the court ruling.	FOR	FOR 100%
7.2	Special resolution number 2.2: Amendments to Schedule B of the Memorandum of Incorporation	This is a legacy issue regarding the right, limitations and terms of shares. The completion date has now been reached and the Memorandum is now being updated.	FOR	FOR 98.65%
8	Special resolution number 3: Provision of financial assistance	This resolution seeks to allow the directors the right to provide financial assistance to related or inter-related companies to any extent and on any terms with the only limitation being the provisions of the Company's Act. The resolution is extremely broad with no limitations.	AGAINST	FOR 99.9%
9	Special resolution number 4: General repurchase of shares	This resolution seeks to allow the company or its subsidiaries or any trust controlled by the company to have the right to repurchase shares in the company with the only limitation being the quantum shall not exceed 5% of the issued shares and the resolution shall last for 15 months. This resolution is extremely broad with insufficient limitations. Share repurchase schemes of this nature are against our policy.	AGAINST	FOR 100%

	Resolution	Rationale	Vote	Outcome of AGM
10	Non-binding advisory vote – Remuneration policy	<p>The Remuneration report states that the Remco “<i>Calculate Hulamin’s internal Gini coefficient to assess the level of income disparity in Hulamin.</i>” This is very pleasing to note, it would be more pleasing if it was published and more importantly if the closing of the wage gap was monitored and published.</p> <p>Regular bench-marking against peer group companies takes place, however there is no mention of when and by whom such bench-marking is done.</p> <p>The STI is based on a currency adjusted EBIT but we are given no details of how this is calculated. In addition EBIT on its own does not take into account global market fluctuations in raw materials.</p> <p>A new LTI is proposed and set out in the document, it however is not at all clear how this will work for the individual employees concerned.</p> <p>Various legacy LTI/Share schemes exist, the principles but not the detail or the effect of such schemes is set out in the report.</p> <p>The company has an Employee Share Ownership Scheme which lower Patterson grade employees and black employees of all levels are eligible to participate in. The scheme is outlined quite simply but no quantity or value is ascribed to it.</p> <p>The Remco Chair states that 95.17% of shareholders who voted at the 2017 AGM supported the Remuneration Report and makes no mention of the introduction of a new LTI/Share scheme and the winding up of various legacy schemes, on the contrary the Chair’s statement states all is well other than minor changes due to new codes and regulations.</p> <p>Resolution 5 above in reference to the schemes states “... <i>which have failed to meet the objectives of aligning management interests with those of the shareholders, and lost their retention value to participants</i>”.</p> <p>The remuneration policy report is light on the effect and value of the policies.</p>	AGAINST	FOR 98.55%

	Resolution	Rationale	Vote	Outcome of AGM
11	Non-binding advisory vote – Implementation report	<p>The tables setting our executive bonuses, remuneration and NED fees in the Remuneration Implementation Report are patently incorrect, per second table setting out STI's, a STI of 1 939 516 x R 000's was paid to Mr Jacobs, an amount of R 1 939 516 000! Despite these errors the report was approved by the Remco and by the Board.</p> <p>The LTI table is very complicated and no detail is provided on how the LTI and STI were arrived at in the report.</p> <p>Pay levels were not out of line with others in our sample but disclosure was inadequate and errors in the tables are not acceptable.</p>	AGAINST	FOR 98.55%

Outcome of the AGM

The AGM attendance was satisfactory with approximately 70% of shares voted.

All the resolutions were carried with overwhelming majorities, with the greatest opposition being the appointment of various directors with 3 directors only getting approximately 85% support for their reappointment and one director only getting 75% support.