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NASPERS LIMITED

https://www.naspers.com/investors/overview

Annual General Meeting
21st August 2020
Financial Year End: 31st March 2020

Proxies voted
CDT Foundation NPC
Social Change Assistance Trust (SCAT)

The returns for shareholders who invested some years ago in Naspers have been nothing short of spectacular, largely due to the investment in Chinese company Ten Cent. However, Naspers market cap. remained lower than the value of its stake in Ten Cent; to unlock value for shareholders a new company was floated in Europe but Naspers continued to hold 75% of that company and it replicated the Naspers model of control with 1 000 votes per share for the A class shares. It is of grave concern that the board ignores the fact that up to 80% of N ordinary shareholders oppose a resolution and then the board presents the same resolution at the next AGM.

The CEO sets out a justification for this concentration of control but we remain of the view that this effectively gives the board absolute control and ordinary shareholders effectively have little say in how the company is run. At the 2019 AGM approximately 60% of shares other than the said A class shares voted against the remuneration resolutions, the control structure enabled these resolutions to be passed by the requisite 75% majority. We now see an increase in the Rand value of non-executive director fees of 38% and an out of town allowance for directors of R 62 500 per DAY.

An ESG report is included but as noted we have significant concerns with the governance of Naspers, the independence of the board and of the audit committee are not what we would expect; less than 50% of directors are independent and 33% of non-executives are former executive directors. We are pleased to see that some new directors are being introduced and that they bring new skills and experience. The environmental and social aspects of the report did not raise undue concerns.

The number of share schemes and the fact that these have amendments every year is of concern.

The Report is laid out in landscape portrait and at a size which allows for easy full-page display and reading on a laptop – fantastic, except other reports are still in portrait format. There are no hyper-links in the index and other parts of the report, and the index does not include details of additional reports.

	Resolution	Rationale	Vote	Outcome of AGM
	Ordinary Resolutions			
1	Acceptance of annual financial statements (AFSs)	We again note that it is refreshing and pleasing that a South African company includes the AFSs for approval by the shareholders. The auditors have issued an unqualified audit report and the AFSs are easily found on the company website.	FOR	FOR 100%
2	Confirmation and approval of payment of dividends	In general, we are in favour of dividends provided the company has sufficient liquidity which is the case with Naspers.	FOR	FOR 99.9%
3	Reappointment of Pricewaterhouse Coopers Inc. (PWC) as auditor	PWC are one of the large international firms of auditors and are suitably skilled and experienced. They have been auditors for 105 years and the audit committee assure us that they are satisfied that the auditors are independent. We note that the finance director joined the company from PWC. The auditors need to be seen to be independent and after more than a century in office it is inevitable that their independence is questioned. Mandatory auditor rotation every 10 years takes effect in 2023 and we are concerned that there will be a high level of disruption in the industry at that point and as such would prefer to see auditor rotation take place sooner. At the 2019 AGM 26.5% of ordinary shareholders voted against the reappointment of PWC – the audit committee seemingly is unconcerned about this and makes no reference thereto. We are pleased to see that the audit committee state that they will engage with mandatory auditor rotation in 2021 but this is insufficient to sway our view that PWC should have been rotated or the process of rotation started already.	AGAINST	FOR 92.3% N Shares FOR 71.2%
4	To confirm the appointment of the following persons as non-executive directors:	The control structure of the company with effectively 68% of voting rights controlled by a small group (including the chair and other directors) gives rise to a justifiable concern that this board may not be as independent as we would wish it to be. Adding to our concern is the fact that the Chairman is not independent and has previously expressed his disdain for corporate governance. A large board comprising 17 directors.		

	Resolution	Rationale	Vote	Outcome of AGM
		Independence: Given the fact that the Chairman is not independent, we are pleased that long serving (17 years) director Phaswana has been replaced as lead independent director by Hendrik du Toit whose 4 years' service is sufficient to know the company whilst not raising any concerns regarding his independence. The company classifies 9 directors as independent (53%), this includes 3 directors who serve on the Naspers Belegings board (part of the control structure). Those 3 directors have very long service of 21, 17 and 11 years aggravating our concerns of their independence. We therefore find that only 6 of the directors or 35% of the board are independent well below the recommended minimum of 50%. We are unconvinced by the CEO's justification for the shares held by Naspers Belegings and others having 1 000 votes each. This enables those minority shares to have 68% of the voting rights of the company. In fact, that argument (in the Report) raises our concerns. Independence of this board is unacceptable. **Continuity:** With average tenure of over 11 years and 5 (33%) of the non-executive directors being former senior executives and a number of directors having extremely long service, there is no short-term concern regarding continuity. There is a long-term concern that insufficient depth of new directors is being built. **Skills:** For a company which states that their ambition is *to build outstanding technology companies*, we are concerned that there are not enough young directors with a deeper understanding of modern technology – the average age of the non-executive directors is just below 62 years. We find that the majority of the directors hold economics or accounting degrees and that there is a dearth of engineering and technology skills, the company needs to bring in younger more techno-savvy directors. **Diversity:** The company is not fairing particularly well on diversity with only 30% of South African directors from previously disadvantaged communities and 33% non-exec directors and 33% foreign directors. Executive directors are both white men.		

	Resolution	Rationale	Vote	Outcome of AGM
		The board does not meet minimum independence standards and seems overly focussed on ensuring control remains in the hands of the A class shares (with 1 000 votes each). In addition, it does not appear to be sufficiently forward looking with insufficient attention being paid to gradually introducing new directors and in particular tech-savvy directors. We are pleased to see the 2 new appointees this year, and trust this signals a new policy.		
4.1	M Girotra	Ms Girotra, 50, is a new appointee to the board. With degrees in economics she is the CEO of an investment bank in India with experience of cross-border mergers and acquisitions. Ms Girotra is independent and her m&a experience may be valuable to a board that is keen to acquire other businesses.	FOR	FOR 99.7%
4.2	Y Xu	Ms Xu, 56, is another new appointee to the board. With an MBA she is the President of Wumei a technology retail company in China. Her experience in that field will be of value to the company as it grows its online retail business.	FOR	FOR 99.9%
5	To re-elect the following directors:			
5.1	D G Eriksson	Mr Eriksson, 75, has been a director for 7 years and his attendance at meetings in 2019/20 was good. A chartered accountant, he was previously a partner with the company auditors whose independence we question.	AGAINST	FOR 99.3%
5.2	M R Sorour	Mr Sorour, 58, was according to the Report, first appointed to the board in 2015; however, he served as a senior executive for many years prior to that. His attendance record in 2019/20 was impeccable. Mr Sorour holds 167 169 shares worth approximately R 500m which must be material to his wealth. This ensures that he has a significant interest in improving the share price but does disqualify him as an independent director. We find that 5 of the 15 non-executive directors are former senior employees of the company and consider this excessive. In addition, we are not satisfied with the independence of this board.	AGAINST	FOR 99.4%

	Resolution	Rationale	Vote	Outcome of AGM
5.3	E M Choi	Ms Choi, 41, is an American director and has served on the board for 3 years. Her attendance record in 2019/20 was acceptable. She is COO of Coinbase and her experience is appropriate for the company.	FOR	FOR 98.4%
5.4	R C C Jafta	Ms Jafta, 59, has been a director for 17 years and is a director of Naspers Belegings who have 1 000 votes for each of their shares. We do not favour this control structure of which Ms Jafta is part.	AGAINST	FOR 92.6% N Shares FOR 72.3%
6	Appointment of the following audit committee members:	Given our concerns regarding the independence of the board, it is of special concern that the audit committee members be and are seen to be independent. Unfortunately, this is not the case.		
6.1	D G Eriksson	See 5.1 above. Mr Eriksson was a partner in the external audit firm and as such cannot possibly sit on this committee.	AGAINST	FOR 99.1%
6.2	R C C Jafta	See 5.4 above.	AGAINST	FOR 91.1% N Shares FOR 66.7%
6.3	M Girotra	See 4.1 above, we consider her well skilled to serve on this committee.	FOR	FOR 99.8%
6.4	S J Z Pacak	Mr Pacak has been a director for 22 years, he is the former CFO of the company. His attendance at board meetings in 2019/20 was not good. Mr Pacak holds 488 183 Naspers N shares with current market value of R 1.464b an amount which must be material to his wealth, as such Mr Pacak has a significant interest in improving the share price of the company but cannot be considered an independent director. The audit committee must be made up of independent directors.	AGAINST	FOR 89.2% N Shares FOR 59.2%
7	To endorse the company's remuneration policy	The remuneration policy and implementation reports must be approved by a 75% majority of shareholders. We again raise our concern that without the support of the A class shares (effectively controlled by the directors) who have 1 000 votes apiece these resolutions would not be passed. Ordinary N shares (the freely traded shares) do not approve of the policy or implementation reports with 58.7% and 61.3% voting against those resolutions. In 2018 the	AGAINST	FOR 83.7% N Shares FOR 38.4%

	Resolution	Rationale	Vote	Outcome of AGM
		shareholders were equally dissatisfied with 57% and 47.8% voted against and in 2017, 75.8% of shareholders were against the resolution. **We cannot be satisfied that such a high level of opposition to the remuneration reports continues.** The Remuneration Committee consists of 5 directors including the Chairman who is not independent, in addition we do not consider Mr Phaswana independent. **The committee does comprise a majority of independent directors as is recommended.** Executive remuneration is set in US$ despite the fact that the company footprint is largely in developing countries. Fixed pay is reviewed annually. **Executive pay including base pay (guaranteed pay) is set in hard currency whereas the company (and shareholders) are fully exposed to more volatile currencies.** Short Term Incentives (STIs) are discretionary and are set *at 100% of base salary for both the CEO and CFO.* STI metrics are disclosed and comprise a mix of financial and non-financial targets, for the CEO the metrics and weighting are: Revenue 10%, Core Headline Earnings (including Tencent) 15%, Core Headline Earnings (excluding Tencent) 15%, Free Cashflow 10%, and divisional results (Classifieds 10%, Food delivery 10%, Payments & fintech 5%, B2C 2.5%) and Corporate structure 10%, Diversity & Inclusion 5% and Machine Learning and AI 7.5%. Targets are based on plans and budgets. **We do not favour discretionary awards and are particularly concerned at the level of discretion given the fact that this board cannot be considered independent.** **The policy clearly states that STI's are set at a maximum of 100% of base salary for the CEO and CFO yet we find that the CFO's STI was 127% of base pay.**		

	Resolution	Rationale	Vote	Outcome of AGM
		We do not favour targets that are only based on business plans but would like to see some external measure – eg performance against a basket of competitive companies. Long Term Incentives (LTIs) for executive directors comprise Performance Share Units (PSUs), Share Appreciation Rights (SARs) and Share Options (SOs). In addition, there are Restricted Stock Units (RSUs) for senior management. **Such a plethora of share schemes seems to be unduly complicated and unnecessary.** LTI metrics are not provided in the report instead we are told they awarding of LTIs are based on: *Strong short-term (annual) personal performance … Ongoing employment which … Superior business performance over time.* **We do not favour loose arrangements regarding the awarding of LTIs which appear to rely on the fact that the executive has share options that he will ensure the company performs well.** **It can be little surprise that the N ordinary shareholders have voted overwhelmingly against the Remuneration Policy for a number of years. The policy is discretionary, such targets that exist are set against business plans and not against measurable market performance, LTI metrics are not disclosed and there is no measure in any of this for customer satisfaction. Remuneration is set in hard currency whereas the company trades in developing economies.**		
8	To endorse the implementation report of the remuneration	The Report states *due to the ongoing uncertainty created by the Covid-19 crisis, there will be no salary increase for the executive directors for FY2.* **We take note that base pay and consequently STIs and LTIs will not increase in the coming year. However, as these are set in US$ we note that there was an effective 25.5% increase in the Rand value of executive salaries and bonuses.** **Despite the statement that there will be no salary increases, page 24 of the remuneration report shows that the CFO's salary will**	AGAINST	FOR 83.2% N Shares FOR 36.7%

	Resolution	Rationale	Vote	Outcome of AGM
		increase from $ 950k to $ 1 143k of which $ 120k is benefits being restated – thus the CFO's salary will increase by $ 73k or 6.8% in the dollar amount. Base pay for the CEO and CFO including benefits is $ 1 513k (R 27m) and $ 1 070k (R 19m). Base pay is 9% and 12% of the CEO and CFO's total package, giving a total package of $ 15.977m (R 285.3m) and $ 9.165m (R 163.7m). **The base pay is high by SA standards and the percentage of base pay awarded as LTI (+80% for the CEO) is extremely high by any standard. Total pay is excessive.** **The Report does not give information on the criteria for awarding of LTI's and remuneration packages are excessive.**		
9	To approve amendments to the trust deed constituting the Naspers Restricted Stock Plan Trust and the share scheme	Firstly, the trust currently allows for unconditional share rights to be granted to employees with critical skills and conditional share rights to be granted to be granted to key employees. The board now wishes to change the category of employees which may receive unconditional or conditional share rights to … *any Employees selected by the Board.* **We have grave concerns regarding the independence of this board and the board has shown scant regard to the concerns of ordinary shareholders, this change gives the board greater unfettered powers.** Secondly, the resolution will reduce the number of shares available for distribution from 40.5m shares (R 121.7b) to 21.8m shares (R 65b). **We support the reduction of the number of shares but consider the reduced limit to be too high.** Thirdly, the current limit per person of unconditional share rights is 20 000 shares (R60m) and of conditional share rights is 400 000 shares (R1.2b). It is now proposed that the limit for both unconditional and conditional share rights be amended to 400 000 shares (R1.2b). **This limit is considered too high being valued at approx. R 1.2b.**	AGAINST	FOR 99.6%

	Resolution	Rationale	Vote	Outcome of AGM
10	To approve amendments to the consolidated deed constituting the MIH Services FZ LLC Share Trust and the share scheme envisaged by such trust deed	The first change relates to the company whose directors may award benefits and whose employees may receive such benefits. What is not explained is the reason for the change – is this a different company or a change of name of the company. **We do not have sufficient information to approve this change.** The second change is to remove the right of the board to grant offers to employees in terms of which they can acquire Naspers shares and allow only for the right to the board to grant options to employees to acquire Naspers shares. **We see no problem with this change.** The third change is, as per resolution 9, to reduce the number of shares available for distribution from 40.5m shares (R 121.7b) to 21.8m shares (R 65b). **Again, we support the reduction of the number of shares but consider the reduced limit to be too high.** The fourth change is, as per resolution 9, to limit the number of options which may be granted to an individual to 400 000 shares (R 1.2b). **Again we consider this amount to be excessive.**	AGAINST	FOR 99.8%
11	To approve amendments to the consolidated deed constituting the MIH Holdings Share Trust and the share scheme envisaged by such trust deed	This resolution proposes to reduce the number of shares available for distribution from 40.5m shares (R 121.7b) to 21.8m shares (R 65b). **We support the reduction of the number of shares but consider the reduced limit to be too high.** Further it proposes to limit and the number of shares which may be awarded to an individual to 400 000 shares (R1.2b). **This limit is considered too high being valued at approx. R 1.2b.**	AGAINST	FOR 99.8%
12	To approve amendments to the consolidated deed constituting the Naspers Share Incentive Trust and the share scheme envisaged by such trust deed	This resolution is as for number 11 above but shall apply to the Naspers Share Incentive Trust. Our response is as for resolution number 11.	AGAINST	FOR 99.9%

	Resolution	Rationale	Vote	Outcome of AGM
13	Approval of general authority placing unissued shares under the control of the directors	We do not support resolutions seeking a general authority and this resolution calls for the most sweeping authority to be given to the directors, stating *an unconditional authority to directors to allot and issue at their discretion* in reference to the board issuing shares. We note that 69% of N ordinary shareholders opposed this resolution at the 2019 AGM and 85% opposed it at the 2018 AGM – more than sufficient opposition to overturn the resolution had the A shares not had 1 000 votes each.	AGAINST	FOR 72.7% N Shares FOR 11.9%
14	Approval of general issue of shares for cash	Another broad and sweeping resolution subject only to being no more than 5% of issued shares and at a discounted of no more than 10% of the average price. At the 2019 and 2018 AGM's this was opposed by sufficient shareholders to overturn the resolution had the A shares not had 1 000 votes per share.	AGAINST	FOR 86.5% N Shares FOR 49.5%
15	Authorisation to implement all resolutions adopted at the	This is an administrative matter.	FOR	FOR 99.7%
	Special Resolutions			
1	Approval of the remuneration of the non-executive directors Proposed financial year 31 March 2022:	Non-executive directors' fees are set in US $ despite the fact that the company and the majority of directors are based in South Africa and the company does not appear to have significant investments in US dollars. We do not favour this practice. The resolution notes that due to the Covid 19 impact, directors have foregone the 5% increase for 2021 approved at the 2019 AGM, it therefore proposes to increase fees for 2022 by up to 5%, this is misleading – it proposes to increase them by 5% not up to 5%. This follows 5% annual increases for at least the previous 2 years. Fees being set in US$ it is inappropriate to consider inflation in the Rand monetary area. We find that US$ inflation for the 12 months to 31 March was 1.54%, annual increases for a number of years have been well ahead of inflation. The Rand has depreciated against the US$ by 25.5% in the year to 31 March 2020. Thus, SA directors have had a very substantial increase in		

	Resolution	Rationale	Vote	Outcome of AGM
		fees, and we find that applying the exchange rate to the increased fees the proposal is in fact to increase fees by 32%. Fees are already very high by South African standards. Travel allowance is set at $ 3 500 (R 62 500) per DAY. We do not favour a flat fee but believe an attendance fee should form part of the remuneration although we recognise that this is a limited test but note that only 50% of directors attended all board meetings, a very poor attendance record.		
1.1	Board: Chair	To increase from $ 498 325 (R 7 091 912) to $ 523 243 (R 9 343 698).	AGAINST	FOR 99.9%
1.2	Board: Member	To increase from $ 199 330 (R 2 836 765) to $ 209 297 (R 3 737 479).	AGAINST	FOR 99.9%
1.3	Audit committee: Chair	To increase from $ 122 775 (R 1 747 272) to $ 128 915 (R 2 302 074).	AGAINST	FOR 99.9%
1.4	Audit committee: Member	To increase from $ 49 110 (R 698 909) to $ 51 566 (R 920 830).	AGAINST	FOR 99.9%
1.5	Risk committee: Chair	To increase from $ 72 925 (1 037 832) to $ 76 573 (R 1 367 378).	AGAINST	FOR 99.9%
1.6	Risk committee: Member	To increase from $ 29 170 (R 415 133) to $ 30 629 (R 546 951).	AGAINST	FOR 99.9%
1.7	Human resources and remuneration committee: Chair	To increase from $ 86 275 (R 1 227 823) to $ 90 590 (R 1 617 693).	AGAINST	FOR 99.9%
1.8	Human resources and remuneration committee: Member	To increase from $ 34 510 (R 491 129) to $ 36 236 (R 647 077).	AGAINST	FOR 99.9%
1.9	Nomination committee: Chair	To increase from $ 46 500 (R 661 765) to $ 48 825 (R 871 883).	AGAINST	FOR 99.9%
1.10	Nomination committee: Member	To increase from $ 18 600 (R 264 706) to $ 19 530 (R 348 753).	AGAINST	FOR 99.9%
1.11	Social, ethics and sustainability committee: Chair	To increase from $ 63 825 (R 908 325) $ 67 013 (R 1 196 662).	AGAINST	FOR 99.9%
1.12	Social, ethics and sustainability committee: Member	To increase from $ 25 530 (R 363 330) $ 26 805 (R 478 665).	AGAINST	FOR 99.9%
1.13	Trustees of group share schemes/other personnel funds	Trustee fees are set in SA Rand and are modest and no increase is proposed.	FOR	FOR 99.9%
2	Approve generally the provision of financial assistance in terms of section 44 of the Act	We are pleased that this resolution limits the provision of such financial assistance to only allow it in terms of existing or future share schemes. The inclusion of future share schemes is clearly superfluous as this resolution will expire at the next AGM and we are not sure why they include this. An extremely clumsy resolution with unnecessary legalese.	FOR	FOR 99.1%

	Resolution	Rationale	Vote	Outcome of AGM
3	Approve generally the provision of financial assistance in terms of section 45 of the Act	This resolution provides *any direct or indirect financial assistance to a related or interrelated company or corporation, or to a shareholder of a related or interrelated company or corporation* (our underlining). We do not support this as it is far too broad and allows the provision of financial assistance to other shareholders in related companies.	AGAINST	FOR 99.6%
4	General authority for the company or its subsidiaries to acquire N ordinary shares in the company	This resolution is subject only to the restrictions of the law and regulations applicable and states *The directors have no specific intention, at present, for the company to repurchase any of its N ordinary shares.* The resolution is therefore only intended to apply if certain conditions apply – but we are not given any indication of what those conditions might be. We do not support broad and vague special resolutions, and the effects of this resolution which not disclosed as required, are likely to be prejudicial to minority shareholders.	AGAINST	FOR 98.2%
5	Granting the Specific Repurchase Authorisation	*The reason for and effect of special resolution number 5 is to grant the company the authority, in terms of the JSE Listings Requirements and the Act, as applicable, to acquire N ordinary shares through structured mechanisms on an expedited basis.* We however, are given no details of why the board requires this authority nor of the structured mechanisms to be employed nor of why this would need to be done on an expedited basis.	AGAINST	FOR 92.6% N Shares FOR 72.2%
6	General authority for the company or its subsidiaries to acquire A ordinary shares in the company	Although we do not support the repurchase of shares in general, we would support the reduction of the number of A ordinary shares (these shares having 1 000 votes each) because of the negative impact such voting has on the company.	FOR	FOR 87.2% N Shares FOR 51.7%

OUTCOMES OF THE AGM

The announcement states that all resolutions were passed by the requisite majority – we expected nothing less than that given that the A Class shares have 1 000 votes apiece. These shares make up only 0.22% of the number shares but hold 69% of the voting power. The shares are effectively controlled by the directors.

Had this voting structure not been in place no fewer than 6 resolutions would not have received the requisite support. A shocking state of affairs.