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PPC LIMITED

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Annual General Meeting
16th November 2020
Financial Year End: 31st March 2020

Proxies voted
The Ditikeni Trust

As noted in our 2018 and 2019 reports, the management, board and audit committee have been in a state of turmoil for a number of years. This culminated in certain accounting irregularities and a delay in the issue of the Annual Financial Statements, the new CFO states in the Integrated Annual Report (Report) *the extent and severity of the shortcomings in the Group's financial reporting processes, internal financial controls, accounting systems and practices became more and more apparent*. We note the departure of the previous CFO having previously highlighted concerns regarding her commitment and performance; she was not put up as retiring director in 2018 or 2019.

The board performance is of concern, we are also concerned at the lack of stability of the board and management and we deplore the constant changing of board and board committee members. Despite our concerns regarding the board performance, we support their reappointment in the interests of continuity. Similarly, we support the reappointment of the members of the Audit Committee members despite our view that the performance of this committee has not been satisfactory for a number of years. A new CEO and CFO have been appointed and subsequent to the year-end, a new executive director has also been appointed. We wish them well in taking the company forward. We do not like the fact that the CFO serves on boards of other companies particularly given the need for focus and attention in turning the PPC finance department around.

The Report gives details of resource use and CO_2 emissions, wages and taxes paid and amounts paid to preferential suppliers which is commendable. However, we did not find a clear commitment and plan on how the company can reduce its footprint going forward.

The numbers of employees is not reported and reporting on employment is not of the standard we would like to see..

The Report is presented in portrait format which is not appropriate for use on a computer screen, it does not have any hyperlinks. A number of double page spreads are included which are impossible to read on a computer screen. It is commendable that the company secretary's contact details are stated up front.

	Resolution	Rationale	Vote	Outcome of AGM
	Presentation of Reports			
	The consolidated audited annual financial statements (AFS) of the company and its subsidiaries, incorporating the reports of the auditor, audit, risk and compliance committee (ARCC) and directors for the year ended 31 March 2020, as approved by the board on 7 October 2020, are hereby presented to the shareholders	There have been delays in the preparation and presentation of the AFSs. We note below our concerns with the ARCC and with the auditors. Both the auditors and the ARCC were in office during the period when these problems arose. Nevertheless, the auditors have issued an unqualified audit report and we accept the AFSs. We note that the companies act does not require the shareholders to accept the AFSs but we favour the presentation of these and the reports to the shareholders for their acceptance.		
	Ordinary Resolutions			
1	Election of new directors	Before considering individual directors, it is appropriate that the overall composition of the board be examined. **Independence.** Directors are classified as 80% independent and 20% executive. No directors have served for more than 9 years and we find no reasons to doubt the independence of any of the directors. **Continuity.** Continuity is a serious problem; the company has its 5th CEO and 3rd Chairman in 6 years. In addition, the CFO was only appointed in the year under review. Average tenure of independent directors is 3 years and only 2 directors have served for 5 or more years. The company has been through a period of extreme turmoil and it appears that the finance department is not what it should be. With the appointment of a new young CEO and CFO, we are looking to the company and the board to be stabilised. **Skills.** A board with a diverse range of skills and expertise, we have no concerns with the range of skills of the board. **Diversity.** A diverse board with 90% South Africans, 60% men and 40% black.		

	Resolution	Rationale	Vote	Outcome of AGM
		Subsequent to the financial year-end, Mr Ball a Non-executive Director has been appointed as an executive director. We are concerned that not only is there a lack of continuity in the composition of the board but the composition of board committees and committee chairs are constantly being changed. **Continuity is the major concern with the board and management.**		
1.1	Mr Roland van Wijnen	Mr van Wijnen, 49, was appointed as CEO in October 2019. He was the COO of Holcim and is suitably skilled and experienced. We are looking to him to stabilise the management of the company.	FOR	FOR 99.9%
1.2	Ms Ronel van Dijk	Ms van Dijk, 48, was appointed as CFO in November 2019 initially on an interim basis. She has now been confirmed in this position. A number of problems have been reported with PPC's financial statements and the AFSs were delayed. There are also a number of problems in the finance department. These problems pre-date the appointment of Ms van Dijk, and would appear to be part of the problem of the pervious CFO. We do not like the fact that she serves as a director of other companies, particularly given the enormous challenges facing her as the new CFO of PPC. Despite this concern we support her appointment.	FOR	FOR 99.9%
2	Re-appointment of directors due to retire by rotation			
2.1	Mr Jabulani Moleketi	Mr Moleketi, 62, is the Chairman of the board and is suitably skilled and experienced to carry out this function. He has been a director since 2018 and his attendance record is acceptable. Mr Moleketi has now retired as chairman of Vodacom but remains chairman of Harith General Partners, chairman of Brait South Africa, and a director of Remgro and Lebashe Investment Group. We do not support the chairman of any company serving on the board of other companies, this is particularly important with PPC which clearly needs focus and attention. Despite this we support his reappointment given the fragility of this board and the need for continuity.	FOR	FOR 94.8%

	Resolution	Rationale	Vote	Outcome of AGM
2.2	Ms Noluvuyo Mkhondo	Ms Mkhondo, 35, is suitably skilled and has been a director since 2018. Her attendance record for board meetings was impeccable and for committee meetings it was acceptable. She is a director of 3 other companies.	FOR	FOR 99.5%
3	Appointment of members of the Audit, Risk and Compliance Committee (ARCC)	The management, board and this committee have experienced a great deal of turmoil over a number of years. Mr Thompson is the third chairman since 2018. We have repeatedly reported on our concerns that the turmoil is not acceptable and can and will result in problems. The company has now reported on a number of accounting irregularities and AFSs were delayed. This committee is responsible for and has reported on the internal controls and the AFSs, it has noted over a number of years that it has been satisfied with both, and with the skills and competence of the former CFO. We do believe there should be consequences for the lack of oversight of the finance department. However, we need to balance that with the need to stabilise the management, board and this committee. We therefore very reluctantly support the reappointment of the three remaining members of this committee.		
3.1	Ms Nonkululeko Gobodo	Ms Gobodo is well qualified to serve on this committee. She was previously the chair of the committee and has been a director for 3 years. As noted under our introduction above, despite the performance of this committee we support her reappointment.	FOR	FOR 95.7%
3.2	Ms Noluvuyo Mkhondo	Ms Mkhondo, is qualified to serve on this committee. She was appointed to this committee in 2018 the same year she joined the board. As noted under our introduction above, despite the performance of this committee we support her reappointment.	FOR	FOR 95.4%
3.3	Mr Mark Thompson	Mr Thompson, is the chairman of this committee a position he was appointed to at the last AGM. He is suitably qualified and has been a director for 1 year. As noted under our introduction, we have grave concerns regarding the performance of this committee. Mr Thompson is a relatively new appointee and we trust he and his committee are cleaning up the accounting controls and department.	FOR	FOR 95.8%

	Resolution	Rationale	Vote	Outcome of AGM
4	Reappointment of Deloitte & Touche Incorporated (Deloitte) as the external auditor	Deloitte have been auditors of PPC for 18 years, this is longer than recommended and they will need to be replaced when mandatory audit firm rotation comes into effect in 2023. We anticipate that there could be some difficulties with a large number of firms needing to rotate auditors at the same time so favour the appointment of auditors requiring rotation before that date. We appreciate that the new CFO and the ARCC had a lot to deal with after the departure of the previous CFO, and are satisfied that the ARCC has stated it will commence the process of audit firm rotation in 2022 and is aware of the need to rotate the audit firm. Given that there is a new CFO and few of the board have served for any length of time, and further that the committee has noted it will commence audit rotation, we support the reappointment of Deloitte.	FOR	FOR 83.5%
5.1	Resolved that the company's remuneration policy be endorsed	The Remuneration Committee (Remco) comprises 3 independent directors which is as it should be. However, we do not favour the attendance of meetings by executives by standing invitation. **Executives should only be invited to Remco meetings on a need to basis and not by standing invitation.** The 2019 remuneration reports were passed by shareholders with a significant majority. Nevertheless, the Remco made some changes, notably the introduction of Malus and Clawback provisions and the simplification of the STIs (Short Term Incentives). **We are pleased to note these changes.** The Report notes *Management and remco will continue to explore opportunities to close the wage gap across the Group, and have committed to review the Gini coefficient on an annual basis to monitor progress made*. **We commend this but would like to see the Gini coefficient published in the interests of transparency.** The Report does name the independent advisors but does not state what matters they advised on. Remuneration consists of Guaranteed Pay (GP) which in the case of senior staff is inclusive of any benefits, STI (Short Term Incentive)	AGAINST	FOR 88.8%

	Resolution	Rationale	Vote	Outcome of AGM
		which is paid to all staff annually in cash, and LTI (Long Term Incentive) which is paid to senior staff and executives only. STIs and LTIs are linked to GP and in the case of the CEO are capped at 100% and 120% of annual GP respectively. In the case of other executives, the STI and LTI are capped at 90% and 96% of annual GP respectively. STI and LTI are paid on a scale from 0% to the caps as above with steps for Threshold, Target and Stretch. **These ranges are within the norms of executive remuneration in South Africa.** STIs are calculated as follows: GP x STI Target % x Personal Target % x STI Modifier %. STI Target is based 50% on EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) and 50% Free Cash Flow. Personal targets are not defined. The STI Modifier is based on <u>Group</u> EBITDA as individuals STIs are based on their divisions EBITDA. **A fair system however, we are given no indication of how personal targets for executives are defined and set.** LTI conditional shares are subject to performance vesting conditions over one year. The metrics used in determining the LTIs are 50% TSR (Total Shareholder Returns) and 50% economic value creation. LTI shares are not considered dilutive as they are purchased on the open market and new shares are not issued. **We are concerned that the 1 year vesting is not long term but rather short term. We could not determine on the information available the period over which the TSR is valued and do not consider annual TSR to be a reliable measure – this should rather be measured against a comparator group of companies to mitigate the effects of market fluctuations such as we have recently seen.**		

	Resolution	Rationale	Vote	Outcome of AGM
		We commend the introduction of malus and clawback provisions and the simplification of the STIs. We could not evaluate the STI policy for executive directors as we have no idea what is included in the personal targets. **The LTI on the information available seems to be rather short term and we are concerned that TSR in particular is subject to swings which are beyond the control of management, TSR needs to be measured against a basket of competitor companies TSR. Whilst the Report does mention benchmarking and comparator companies, no details are provided of those companies and who does the benchmarking and how frequently.**		
5.2	Resolved that the company's remuneration implementation report be endorsed	The Report states that management and prescribed officers gross pay increases averaged 2% for a six-month period whilst average increases for other staff were 4.5%. What is not clear is whether staff increases were for a six-month period or for a full year. If the later then these increases whilst laudable for the closing of the wage gap are on the high side given the poor return generated by the company. If the former, then management increases are almost the same as employee increases. The new CEO received a sign-on award of shares to the value of R 5m we could not ascertain what conditions applied to this sign-on award, other than the award will be forfeited if he leaves before October 2022. **These don't seem to be particularly onerous or appropriate conditions for an award of this sort.** The STI financial targets were not met and personal target awards were deferred. The Remco is anticipating the cancellation of any STIs in terms of personal targets. **The Report does say the STI was simplified, but based on the current policy as outlined in the Report, no personal STIs would be payable as the group EBITDA target was below threshold and therefore our understanding is that the modifier would have been 0%. If staff were lead to believe they would receive an STI the**	AGAINST	FOR 79.6%

	Resolution	Rationale	Vote	Outcome of AGM
		cancellation of the STI could lead to disillusioned staff – it is imperative that the system be understood clearly. No LTIs are due based on the financial results. The former CEO and CFO were treated as leavers in good standing despite the fact that the report notes that the former CFO and PPC *mutually separated*. We are outraged that the CFO was paid over R 5m as a part of the mutual separation although we recognise that it is money well spent in that the company can now move forward. **The key issues in our assessment of the Remuneration Implementation Report are: that there are no performance conditions attached to the shares issued to the new CEO as a sign-on bonus and that the vesting period at 2 years is rather short; and secondly we are outraged at the R 5m paid to the former CFO particularly in light of the problems found in the finance department and that there were obvious problems.** **The company needs stability and an incentivised management team.**		
6	Resolved to place the unissued ordinary shares under the control of the directors	This resolution empowers the directors to issue new shares in the company. The only limitation being that the number of new shares so issued may not exceed 5% of the existing issued shares. There is no limit set on the price at which such shares may be issued. The reason given for the resolution is that minority interests in existing group company may become available and to take advantage of this the company may need to issue new shares. However, the resolution is not limited to such situations and in fact is an open-ended resolution with only 2 limitations: The number of shares be limited to 5% as noted above; This authority shall expire at the next AGM. We do not support such open-ended resolutions.	AGAINST	FOR 62.9%

	Resolution	Rationale	Vote	Outcome of AGM
7	Resolved that the directors are hereby authorised to issue the unissued shares in the company, for cash	This resolution, like the one above is limited to 5% of the issued shares but does have a maximum price being the average listed price with a discount of no greater than 10%. Unlike the one above no reason at all is provided as to the instances under which the directors may issue such shares for cash.	AGAINST	AGAINST 33.9% A majority of 75% is required
8	Any director or the company secretary may take such action as necessary, to implement the resolutions	An administrative matter.	FOR	FOR 99.8%
	Special Resolutions			
1.1	Resolved that, the board may, subject to section 44 of the Companies Act, authorise financial assistance by way of a loan, guarantee, the provision of security or otherwise, to its subsidiaries and inter-related companies, for the purpose of, or in connection with, the Subscription or purchase of any option, or any securities, issued or to be issued by the company or a related or interrelated company.	This resolution provides for the company to provide financial assistance to any subsidiary or related company for the purpose of subscribing of any option or security issued by the company. We do not in general like such general catch-all resolutions and no reasons are provided as to why such subsidiaries or related companies would need to subscribe for options or securities in the company.	AGAINST	FOR 99.6%
1.2	Resolved that, the company may provide, any direct or indirect financial assistance as contemplated in section 45 of the Companies Act to any related or inter-related companies or or to any members of related or inter-related company or to any persons related to any such company	This resolution in essence enables the board to authorise loans or other forms of financial assistance to related or inter-related companies for operational requirements. The resolution does state that the board must set the terms and conditions of such financial assistance. We recognise the need for the board to have the authority to provide financial assistance to related companies, but where we take issue with this resolution is that such assistance is not limited to such companies but can also be provided to any member (shareholder) of such companies or other persons related to such companies.	AGAINST	FOR 95.5%

	Resolution	Rationale	Vote	Outcome of AGM
2	Approval of non-executive directors' fees	Given the problems the company has experienced and its performance over a number of years we are not well disposed towards high directors' fees or increases in such fees. We note above that the turmoil which has existed at board level for a number of years is not acceptable. We note our concerns with the performance of the board and the GACC. We are therefore pleased to note that no fee increases are proposed for the coming year, and indeed there has been no increase for at least the past 2 years. This however, may be counterproductive going forward as the board clearly needs to attract high calibre individuals now that it has a new management team in place. Notwithstanding the above, the key issue for us is that a flat fee is paid to all directors and members of committees regardless of attendance or performance. We regard an attendance fee for all other than the chairman, a minimum measure of performance.		
2.1	Board Chairman	As noted, we do not consider it appropriate to pay an attendance fee to the chairman. He should and is paid an all-inclusive fee.	FOR	FOR 97.9%
2.2	Non-executive directors		AGAINST	FOR 98.9%
2.3	ARCC Chair		AGAINST	FOR 99.8%
2.4	ARCC Member		AGAINST	FOR 99.8%
2.5	Remco Chair		AGAINST	FOR 99.8%
2.6	Remco Member		AGAINST	FOR 99.8%
2.7	Social Ethics and Transformation Chair		AGAINST	FOR 99.8%
2.8	Social Ethics and Transformation Member		AGAINST	FOR 99.8%

	Resolution	Rationale	Vote	Outcome of AGM
2.9	Nominations Committee Chair		AGAINST	FOR 99.8%
2.10	Nominations Committee Member		AGAINST	FOR 99.8%
2.11	Investment Committee Chair		AGAINST	FOR 99.8%
2.12	Investment Committee Member		AGAINST	FOR 99.8%
2.13	Special Meeting Attendance Chair	The chairman as noted above should be paid an all-inclusive fee.	AGAINST	FOR 95.3%
2.14	Special Meeting Attendance Member	This is an attendance fee for additional meetings.	FOR	FOR 95.4%
3	General authority to repurchase shares	We do not support general authorities to repurchase shares. There may well be instances in which it is appropriate to repurchase shares but in general such repurchases reduce minority interests and as such we oppose this resolution.	AGAINST	FOR 99.8%

RESULTS OF THE AGM

The AGM was poorly attended with only 60% of the shares voted in person or by proxy.

It is heartening to see some opposition with resolution 7 which empowers the directors to issue unissued shares for cash and which requires the approval of 75% of shareholders, was not approved. Resolution number 6 which empowers directors to issue shares, was opposed by 37% of shareholders – this only requires a 50% approval to be passed. Clearly shareholders are far from keen for new shares to be issued.

The executive remuneration resolutions and the appointment of the auditor are receiving a high level of opposition.