



CAXTON & CTP PRINTERS AND PUBLISHERS LIMITED

<https://caxton.co.za/about/annual-reports/>

Annual General Meeting

7th December 2020

Financial Year End: 30th June 2020

Proxies voted
The Ditikeni Trust

The Integrated Annual Report (Report) is extraordinarily brief, however it does state *The Board of Directors endorses the philosophies and principles of King IV*. We question their commitment to this, with the remuneration report falling short of JSE regulations and King IV code despite this being brought to their attention after the last remuneration report.

The board cannot be considered to be independent with many long serving directors who appear to be dependent on Caxton. The key issue however is succession, with Mr Moolman firmly in control at 76 years old and no effort at developing the next generation of leaders. Independence and skills of the audit committee are unacceptable.

Active Shareholder has made numerous requests to meet with the Remco as per the company SENS of 9 December 2019, as no meeting has yet been agreed to, a written submission on the 2019 remuneration report was submitted and can be viewed at <http://activeshareholder.co.za/2019-caxton-remuneration-issues/>

It has not been a good year for the media industry and for Caxton in particular, the magazine and associated distribution division and the CD & DVD division were shut down. We are told this is chiefly the reason behind the 15% decline in the number of employees which is now at its lowest level in 10 years, Caxton anticipates up to a further 25% of employees will be retrenched as the company restructures.

Again we note that the Caxton Integrated Annual Report is most inadequate and does not meet what we consider to be the minimum requirements. Presentation continues to be dull and seemingly designed to make dull reading.

	Resolution	Rationale	Vote	Outcome of AGM
	Ordinary Resolutions			
1	Adoption of the Annual Financial Statements (AFSs)	<p>We do have concerns regarding the independence of the auditors (see 4 below) but they have issued a clean audit report.</p> <p>We have a number of concerns regarding the compliance of the company with various regulations and the concern regarding the independence of the board and the auditors raises our level of concern. Our key concerns have been raised with the audit partner concerned and with the chairman of the board. As such we have no choice now but to oppose the adoption of the AFSs.</p>	AGAINST	
2	To place the unissued shares in the company under the control of the directors	<p>In general, we would oppose an open-ended resolution such as this one but given the control structure we are particularly opposed to this resolution.</p> <p>We note that despite 40% of shareholders consistently oppose this resolution but it will be carried by virtue of the Moolman Coburn partnership.</p>	AGAINST	
3	Re-election of the directors	<p>The Caxton board makes not pretence at being independent. Mr Moolman is the majority shareholder together with his partner Noel Coburn and they are firmly in control.</p> <p>The board consists of 8 directors of which 3 are executives and only 1 has served for less than 9 years.</p> <p>Given the tight control which has resulted in no serious contenders to take over from Mr Moolman, who is now 76 years old, continuity is a concern.</p> <p>The board is fairly diverse racially but poor on gender diversity. However, it is skills diversity that is more concerning.</p> <p>A board that appears to follow the dictates of the major shareholder only.</p>		

	Resolution	Rationale	Vote	Outcome of AGM
3.1	Mr PM Jenkins	<p>Mr Jenkins, 61, is suitably skilled and experienced to serve on the board. His attendance record is impeccable and we could find no other directorships other than group companies.</p> <p>As chairman of the board however we are concerned that he has not asserted himself as required, and the remuneration committee which he chairs does not comply with the King Code or JSE regulations.</p>	AGAINST	
3.2	Mr ACG Molusi	<p>Mr Molusi, 58, as a former journalist has skills of value to Caxton. His attendance record is only just acceptable.</p> <p>He is also non-executive chairman of AME (African Media Entertainment) which company is controlled by the Moolman Coburn Partnership which also controls Caxton.</p> <p>He has been a director of Caxton for at least 17 years and we seriously question his independence.</p>	AGAINST	
4	Reappointment of the independent auditors	<p>The auditors, BDO, state that they have been auditors for 2 years. However, we note that the BDO website states that they merged with Grant Thornton who, at the time of the merger, had been auditors for 13 years. BDO state they have taken legal advice and are of the view that due to the nature of the transaction between them and Grant Thornton they have only been auditors for 2 years.</p> <p>The audit partner, Paul Badrick, was the same audit partner at Grant Thornton and has been audit partner since the 2012 audit and has thus been continuously in this position for 9 years, and the resolution proposes him as the audit partner for next year. The Companies Act requires a new audit partner be appointed every 5 years.</p> <p>The tenure of the audit firm and audit partner have been raised with the regulator.</p> <p>The lack of independence of the board increases our concern that BDO are not sufficiently independent to serve as auditors.</p>	AGAINST	

	Resolution	Rationale	Vote	Outcome of AGM
5	Election of the Audit & Risk Committee chairman and members	The preparation and reporting in the AFSs has become increasingly complex, as such we rightly expect an audit committee to have at least one member with some qualification in accounting or finance. King IV notes <i>The members of the audit committee should, as a whole, have the necessary financial literacy, skills and experience to execute their duties effectively.</i> We note that the qualifications of the members of this committee are legal, journalism and teaching. We believe this committee does not have a member with the necessary accounting skills and experience. In addition, with 5, 17 and 13 years' service their independence must be questioned.		
5.1	Mr JH Phalane	Mr Phalane has 5 years' service and is a practicing attorney. We support his reappointment.	FOR	
5.2	Mr ACG Molusi	Mr Molusi has been a director for at least 17 years and as such we question his independence. We are also concerned about the suitability of his skills given the overall skills compliment of this committee.	AGAINST	
5.3	Mr NA Nemukula	Mr Nemukula has been a director for 13 years and as such we question his independence. We are also concerned about the suitability of his skills given the overall skills compliment of this committee.	AGAINST	
6	Authority to sign documentation	This is an administrative matter	FOR	
	Special Resolutions			
1	General authority for the company and/or subsidiary to acquire the company's own shares	We oppose an general authority to acquire the company's own shares as this is often prejudicial to the interests of minority shareholders. In the case of Caxton, minority interests do not appear to be suitably recognised and this resolution is very broad.	AGAINST	
2	Approval of non-executive directors' fees	Non-executive directors' fees are modest by the standards of most South African companies. No explanation for changes in fees is provided, fees of individual directors are stated and changes vary between – 11.3% to + 24.5%. Overall fees increase by 10% which is very high in the current climate. No committee fees are disclosed and no attendance fee is payable. A poor resolution with no detail or reasons and no attendance fees.	AGAINST	

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3	Financial assistance to related and inter-related entities of the company	This extraordinarily brief resolution provides little information other than that the directors are empowered to provide financial assistance to related or inter-related companies. It does note that they may not provide assistance to directors. No proper reasons or effect are provided as required. We recognise the need to provide financial assistance to related companies but this resolution is most inadequate.	AGAINST	
4	Financial assistance for subscription for or purchase of securities by related and inter-related entities of the company	This resolution provides for financial assistance for related companies to acquire shares or securities in the company or related companies. Again no proper reasons or effect are provided as required.	AGAINST	
	Non-Binding Advisor Resolutions			
1	Approval of Remuneration Policy	The Remuneration Committee (Remco) consists of the chairman and the CEO, we have pointed out to the company that this does not comply with King IV (sec 46 & 47) nor does it meet the required standards of the JSE regulations (sec 3.84c). The Report continues to assert that the board endorses the King code and the company is obliged to comply with the JSE regulations. The Report does state that a third director will be appointed to the Remco which will be an improvement. We deplore the failure to comply with regulations and whilst another member of the Remco will be an improvement we doubt the independence of some of the directors and note that the CEO is the major shareholder and the directors are unlikely to cross him. The Remuneration Report consists of the chairman's introduction only and there are no Remuneration Policy or Remuneration Implementation reports as required. The company does not meet the most basic of requirements. There is a section under the Corporate Governance and Risk Management section of the Report which sets out what it claims is the remuneration policy. The only information provided on executive	AGAINST	

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		<p>remuneration of any substance are the statements <i>The fees of non-executive directors and the Chief Executive Officer's remuneration are increased annually by the average baseline percentage increase in remuneration applicable to the Company and The remuneration of the executive directors is based on applicable industry benchmarking and the financial performance of the Company at operating profit level.</i></p> <p>We contend that this hardly amounts to what is generally considered a proper remuneration policy.</p> <p>The Report states <i>the Board undertakes to actively engage with the dissenting shareholders</i> in reference to the failure of the remuneration reports not receiving the requisite support at the AGM.</p> <p>We know that this is not the case as we have been attempting to engage with the company since the 2019 AGM.</p> <p>An inadequate report which does not meet minimum requirements.</p>		
2	Approval of Implementation of the Remuneration Policy	<p>There is no remuneration implementation report. The AFSs do disclose remuneration paid to executives including the bonuses paid to the late Mr Greyling (R 5m) and the CFO Mr Holden (R2m) and their base salaries.</p> <p>We could find no other information.</p>	AGAINST	