



PPC LIMITED

<https://www.ppc.africa/investors-relations/reports/>

Annual General Meeting

27th August 2021

Financial Year End: 31st March 2021

Proxies voted
The Ditikeni Trust

The company has been through a turbulent time with frequent changes to the board and management, the board does appear to be more settled now but we again have a new Chief Financial Officer (CFO). We are pleased to hear that the board will *ensure the business has a line of succession. While this has presented some challenges historically, we invested significant energy this year in ensuring succession matters are addressed promptly and efficiently.*

The Reports and Annual Financial Statements have been issued on time and are available on the company website, which is an improvement. We note that the company has committed to disclosure on climate change and look forward to improved disclosure and lower energy usage and air pollution as well as a plan to reduce GHGs (Green House Gases).

The Non-Executive Directors Fees per the Remuneration Report do not agree with those included in the Resolutions (Special Resolutions 2.1 to 2.14 below) emails questioning this were sent to the company secretary at the email provided in the report but we were not able to reconcile the fees paid per the remuneration report with prior year fees per the resolution. This could be due to additional meetings but an explanation would be helpful.

The Report is laid in landscape format which is more suitable for a computer screen, this is an improvement on last year, tabs are not at the top of the page but on the side and the Report does not make use of hyperlinks, so room for further improvement. The notice is in portrait format and makes use of double page spreads which cannot be read on a laptop screen. It is pleasing that the email address of the company secretary is provided for feedback.

	Resolution	Rationale	Vote	Outcome of AGM
	The consolidated audited annual financial statements (AFS) of the company for the year ended 31 March 2021, are hereby presented to the shareholders as required.	<p>It is not a legal requirement in South Africa for the AFS to be adopted by the shareholders, nevertheless we do consider it best practice for the company to allow such a resolution.</p> <p>The auditors have issued a report in which they state the AFS fairly present the results and financial position of the company.</p>		
	Social and Ethics	<p>The Social, Ethics and Transformation committee report is not presented to the shareholders in the agenda per the Notice of the AGM.</p> <p>The report from this committee included in the Integrated Annual Report is very brief and only sets out the responsibilities and areas of focus of this committee. Indeed, this is the case with other committee reports and we would like to see more information particularly from key committees such as this and the Audit Committee.</p> <p>Fortunately, in the case of the Social, Ethics and Transformation Committee a supplementary report is provided.</p> <p>It is disappointing to see that the workforce decreased given the massive unemployment, we are pleased that few employees are fixed term contract employees and that most are permanent staff. The company has a good spread of racial diversity but does not score well on female employees. Turnover is high and the company states that it will address this going forward.</p> <p>Training spend as a percentage of wages, declined and we are told this is as a result of the lockdown. This remains an acceptable percentage in South Africa but is far too low in other African countries.</p> <p>The company does report lost time due to injuries and fatalities together with the last 4 years information, we commend them on the detail reported. The effect of Covid including employees tested, confirmed cases etc is included in the report.</p> <p>It is in the nature of PPC's operations that they are not particularly environmentally friendly. The company did commit to climate change disclosure in 2021 and <i>the company works towards creating a strategy to address climate change and reduce its GHG emissions</i>. We look forward to improved disclosure and reduced usage and emissions in the future.</p>		

	Resolution	Rationale	Vote	Outcome of AGM
	Ordinary Resolution			
	Election of Directors	<p>Before evaluating individual directors, it is appropriate to consider the overall composition of the board. The key factors we consider are: Independence, Continuity, Skills and Diversity.</p> <p>The board consists of 10 directors of which 2 are listed as executive directors. Elsewhere in the report it notes that 1 of the Non-Executive Directors (NEDs) was in fact appointed as an executive director during the year and reappointed a NED after year-end. Other than that, we found no reason to question the independence of any of the NEDs. We find this board to be sufficiently independent.</p> <p>Continuity has been a problem with this board and management, the company seemed unable to retain people in the positions of CEO and Chairman. Fortunately, it is only the position of CFO which has changed again and the board seems more settled. We look forward to continued stability.</p> <p>The board, like many SA boards, is heavy on Chartered Accountants but there is a reasonable mix of other skills.</p> <p>Diversity continues to improve.</p> <p>We have no particular concerns with the board other than the need to maintain stability.</p>		
1.1	Ms Kunalala Maphisa be appointed to the board as a Non-Executive Director (NED).	Ms Maphisa, 46, is suitably skilled and experienced. She is a new appointee and we were unable to assess her attendance record. She has no other listed company directorships.	FOR	FOR 99.9%
1.2	Ms Brenda Berlin be appointed to the board as an executive financial director	Ms Berlin, 56, is the newly appointed CFO. She is suitably skilled and experienced and we found no reason not to support her appointment.	FOR	FOR 99.9%
2.1	Resolved that Ms Nonkululeko Gobodo, an independent NED, be re-elected	Ms Gobodo, 60, is suitably skilled and experienced to serve on the board and her attendance record was impeccable. She has been a director for 4 years and we found only 1 other listed company directorship.	FOR	FOR 99.7%

	Resolution	Rationale	Vote	Outcome of AGM
2.2	Resolved that Mr Charles Naude, an independent NED, be re-elected	Mr Naude, 65, is suitably skilled and experienced with prior executive experience in the cement industry. He has been a director for 6 years and we did not find any other listed company directorships.	FOR	FOR 99.7%
	The following independent NEDs be elected as members of the ARCC (Audit, Risk and Compliance Committee)	It is necessary that the audit committee be and be seen to be independent. We have no particular concerns regarding the independence of the board but would wish to see stability in the board and this committee. No changes are proposed to the membership of this committee. We are not pleased that this committee has chosen not to engage with the issue of audit firm rotation but given the instability of the board and the position of CFO we will not oppose any members on grounds of this matter.		
3.1	Ms Nonkululeko Gobodo, be elected as a member of the ARCC	Ms Gobodo, 60, is well qualified to serve on this committee and as noted under 2.1 above we found her attendance record at board and committee meetings was impeccable.	FOR	FOR 99.9%
3.2	Ms Noluvuyo Mkhondo, be elected as a member of the ARCC	Ms Mkhondo, 37, is suitably skilled to serve on this committee. She has been a director for 3 years, her attendance record at this committee meetings was impeccable but at other board and committee meetings it was just acceptable. She is a director of 3 other companies so we are becoming concerned about her level of commitments. We also note she sits on the board of one of those companies with one of the other directors of PPC – we do not like this. Despite these concerns we support her reappointment.	FOR	FOR 97.7%
3.3	Mr Mark Thompson, be elected as a member of the ARCC	Mr Thompson, 68, is suitably skilled and experienced to serve on, and chair, this committee. He has been a director for 2 years, has an impeccable attendance record and sits on the boards of 2 other listed companies.	FOR	FOR 100%

	Resolution	Rationale	Vote	Outcome of AGM
4	Resolved that Deloitte & Touche Incorporated (Deloitte) be appointed as independent external auditor of the company	<p>Deloitte & Touche have been auditors for 19 years and as such it is appropriate that the process of audit firm rotation take place. This will become mandatory shortly and the 2020 Report stated the company did not intend to rotate the auditors before mandatory rotation becomes effective.</p> <p>We do recognise that the finance department was not in the state we would expect and that there have been a number of appointments to the position of CFO, and as such there is an argument to retain the services of the external auditors. Nevertheless, the company has had time enough to resolve problems in this department and at least the process of selecting new auditors should have commenced.</p> <p>We do not support the reappointment of Deloitte.</p>	AGAINST	FOR 92.9%
5.1	The company's remuneration policy is endorsed through a non-binding advisory vote	<p>The Remuneration Committee (Remco) consists of 3 independent directors. We are told that the CEO, CFO and other staff attend by invitation, it is not clear if this is a standing invitation which we do not favour.</p> <p>Shareholders were not overwhelmingly pleased with the remuneration reports at the last AGM with support of 89% and 79% - minimum support of 75% is required. The Report states <i>Shareholder engagements are planned before the AGM, to provide shareholders with the opportunity to raise any comments they might have.</i> Unfortunately, it appears that any such engagements have been selective and not open to all shareholders. We support an open and free exchange of ideas and information.</p> <p>We are pleased to note that the company <i>strives for a fair, living wage for all employees</i> and that <i>PPC also adopted a policy to close the internal Gini coefficient for the group.</i> The company has set a minimum wage.</p> <p>Executive remuneration consists of Base Pay which includes benefits, Short-Term Incentives (STIs) and Long-Term Incentives (LTIs). Base Pay increases are not guaranteed and are based on market benchmarks, market inflation, company affordability, and company performance. Executive pay is benchmarked to JSE companies by external consultants.</p>	AGAINST	FOR 85.7%

	Resolution	Rationale	Vote	Outcome of AGM
		<p>STI is capped at 100% of base for the CEO and 90% for the CFO and prescribed officers.</p> <p>Metrics for 2022 will be 40% financial (previously 50%), 40% personal (previously 50%) and 20% Health and Safety and Environment. Financial metric is divided into EBITDA (Earnings Before Interest Tax Depreciation and Amortisation) margin (20%) and Free Cash Flow (20%). After which a modifier is applied based on EBITDA. We are pleased that Health and Safety and Environment have been introduced and at a reasonable weighting. A modifier is an appropriate way of ensuring bonuses are appropriate.</p> <p>LTI awards are capped at 100% for the CEO and 80% for the CFO and prescribed officers. These percentages apply at target but increase to 120% of the above at stretch and reduce to 80% at threshold level. Performance conditions for LTI awards are Total Shareholder Return (TSR) for 50% of the award and Economic Value Creation for the remaining 50%.</p> <p>We do not favour TSR, we would like to see this changed to relative TSR as this takes into account market swings which are beyond the control of management from Covid to market booms.</p> <p>LTI's vesting conditions are only subject to the employee remaining in the employ of the company. Clearly the employee does participate in share price movements during that period but we would prefer to see performance conditions apply to the vesting as well as the awarding of the LTI shares.</p> <p>Malus and clawback conditions apply to the STI and LTI which we support.</p> <p>We are pleased to see the introduction of a metric based on Health and Safety and Environment targets. However, insufficient detail is provided on these and other targets. In addition, the LTI Vesting has no conditions other than the employee remains in the service of the company. We would prefer to see relative TSR rather than TSR and</p>		

	Resolution	Rationale	Vote	Outcome of AGM
5.2	The company's remuneration implementation report policy is endorsed through a non-binding advisory vote	<p>The base pay increases for management were 5% and for other staff an average of 6%. This does go some way towards the objective stated under policy above of closing the internal Gini coefficient albeit an extremely small step. These increases are in line with industry norms. We are not told what the company minimum wage is.</p> <p>STI achievement for EBITDA margin was 108% and for Free Cash Flow the maximum of 120% (Health and environment are only introduced for the coming year). We are given targets and achievements but no indication of how targets are arrived at. Personal performance information is limited to the percentage against the maximum of 50% with no further information. The CEO and CFO were awarded 45.7% and 43.6% respectively.</p> <p>The EBITDA modifier was calculated at 1.15% and is based on actual versus budgeted EBITDA. However, a factor of 1 was used for senior employees and the factor of 1.15% for junior employees <i>to reduce the wage differential and to allow lower level employees to qualify for a greater proportion of the STI.</i></p> <p>The above are based on target STI and not maximum STI, thus STIs for the CEO and CFO were 87% and 60% of their base pay respectively. These are relatively low percentages in comparison to other companies more generous payout.</p> <p>The LTI achievement against 2021 targets (which are different to the 2022 targets outlined under policy above) were: Stretch target of 120% was achieved of the 50% allocated to capital restructuring – details are provided of this; and target was exceeded for economic value creation which resulted in 109% of the 50% allocated to this metric.</p> <p>This resulted in an overall value of 114.4% of base pay being allocated as LTI awards.</p> <p>Overall executive remuneration is not excessive and appears to be fair and followed the policy approved at the last AGM. We would like more information on how targets are set.</p>	FOR	FOR 89.8%

	Resolution	Rationale	Vote	Outcome of AGM
6	Any director or the company secretary to do all such things and sign all such documents and take all such actions to implement the resolutions	An administrative matter.	FOR	FOR 99.9%
	Special Resolutions			
1.1	Financial assistance for subscription of securities in terms of section 44	This resolution is to enable the company to provide financial assistance to any subsidiary or related company for the purpose of acquiring the company's shares or securities. We do not favour general resolutions of this nature.	AGAINST	FOR 99.2%
1.2	Financial assistance in terms of section 45 to related and inter-related companies or corporations	This resolution is limited to the provision of financial assistance to subsidiaries or related companies for their business requirements.	FOR	FOR 97.8%
2	To approve the remuneration of the NEDs	As noted in the introduction we were not able to reconcile the fees paid last year per the Report with prior year fees per the Notice of AGM. The Chairman's fee increases by 4%, Board Member fees by 5% and the fees for the audit and risk committee by 4% and 5% and all other committee fees by 3%. These increases are reasonable in light of inflation and the fact that fees are not particularly high for a company the size of TFG. Board members are paid a flat fee and we consider it a minimum requirement that an element of the fee be based on attendance or some other performance fee. The Chairman is paid a flat fee as is appropriate.		
2.1	Board Chair		FOR	FOR 95.7%
2.2	Board Member		AGAINST	FOR 99.9%
2.3	ARCC Chair		AGAINST	FOR 99.9%
2.4	ARCC Member		AGAINST	FOR 99.9%
2.5	Social & Ethics Chair		AGAINST	FOR 99.9%
2.6	Social & Ethics Member		AGAINST	FOR 99.9%
2.7	Nominations Chair		AGAINST	FOR 99.5%
2.8	Nominations Member		AGAINST	FOR 99.9%

	Resolution	Rationale	Vote	Outcome of AGM
2.9	Remuneration Chair		AGAINST	FOR 99.9%
2.10	Remuneration Member		AGAINST	FOR 99.9%
2.11	Investment Chair		AGAINST	FOR 99.9%
2.12	Investment Member		AGAINST	FOR 99.9%
2.13	Special Meetings Fee – Chair		FOR	FOR 98.3%
2.14	Special Meetings Fee – Member		FOR	FOR 98.3%
3	General authority to repurchase ordinary shares of the company by the company and any of its subsidiaries	This is a general authority for the company to acquire its shares subject only to the laws and regulations pertaining to such acquisitions. We are given no details as to the circumstances which would lead to such an acquisition. We do not favour general resolutions of this nature and do not favour share buy-backs as these may be pre-judicial to minority shareholders.	AGAINST	FOR 99.9%

OUTCOME OF THE AGM

The meeting was not well attended with less than 60% of shares voted in person or by proxy.

All resolutions were passed with modest opposition to the remuneration resolutions and surprisingly low opposition to the auditors given their length of tenure.