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MTN GROUP LIMITED

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Annual General Meeting

25th May 2022

Financial Year End: 31st December 2021

Proxies voted
CDT Foundation
The Ditikeni Trust

It is pleasing to read in the Integrated Annual Report (Report) that one of MTNs *strategic priorities is to create shared value, with ESG at the core*. ESG will now form a key component in executive remuneration. The Report goes on to say that the company is committed *to ensure inclusive growth and progress*. As part of this, we commend the company for putting the Social and Ethics committee members to the shareholders for election.

The chronic unemployment and inequality in South Africa will not lead to social stability without which no business can thrive. As such we are disappointed that number of employees declined during 2021 by 15% from 19 295 to 16 390. We are told this is after exiting Syria and Yemen but not what the effect of that exit is on these employment numbers. The Report notes that high unemployment in South Africa is one of the constraints to growth. With regard to inequality, the Remuneration report is one of the most clear and readable reports we have reviewed, however it does not provide the company minimum wage or the internal Gini Co-efficient.

The Sustainability Report (Social, Ethics and Sustainability Committee Report) notes a 16% scope 1 and 2 GHG emissions reduction and that the company target is net zero by 2040. This is commendable but we would like to see milestones between now and 2040 against which the company performance can be measured. The number of women in senior management is not where it should be despite the ambitious targets of the company on equality.

The company conducts extensive surveys across all its markets and different stakeholders and reports on all changes from prior years. This is commendable but we are cautious of such surveys as the questions and manner in which they are asked can significantly affect the results.

The Report is laid out in landscape format which is more suited to being read on a computer screen and contains hyperlinks. As noted last year it is inappropriate to use such a small font (7 point MTNBrighter Sans), and headings in yellow may fit with the corporate branding but **are most difficult to read, particularly when a background colour is used**. The Report does make use of a number of acronyms and industry specific terms which are not clearly explained at all times; however, it is one of the best reports in terms of the use of plain English.

	Resolution	Rationale	Vote	Outcome of AGM
	<p>To present and consider the Annual Financial Statements (AFSs) of the Group and Company for the year ended 31 December 2021, including the directors' report and the audit committee report.</p>	<p>It is not a requirement under South African (SA) law for a company to present the AFSs for adoption by the shareholders. We consider it best practice to do so.</p> <p>The auditors have expressed the opinion that the AFSs fairly present the financial position and the financial results of the company for the period ending 31 December 2021.</p> <p>Management reported a breach of fiduciary responsibilities by a prescribed officer to the joint auditors, who in turn have reported this to IRBA (Independent Regulatory Board for Auditors). The company took specific remedial action to prevent losses and to address the breach. The auditors note that the reportable irregularity is not on-going.</p> <p>The breach related to a prescribed officer who entered into an agreement on behalf of a subsidiary of the Group outside of the requisite authority and internal processes and policies.</p> <p>We did not find this breach reported in the Report as we would expect it to be. It is only in the external auditor's report that we find any mention of this. It is disappointing that this is not dealt with more fully in the Report.</p>		
	<p>To present and consider the report of the Social, Ethics and Sustainability Committee.</p>	<p>As noted, this agenda item is for the presentation of the Social, Ethics and Sustainability Committee Report and the notice refers the reader to the company website.</p> <p>We however, could find no such report on the website and a search produced no results.</p> <p>The <i>Governance Report</i> includes a page titled <i>Social, Ethics and Sustainability Committee Chair's review</i>, which provides details of committee members, their attendance, key areas of responsibility and 1 line on achievements. It does refer the reader to the Sustainability Report which we review below.</p> <p>It is confusing that the company does not present a proper Social, Ethics and Sustainability Report, but we found the Sustainability Report was in fact the Social, Ethics and Sustainability Report.</p>		

	Resolution	Rationale	Vote	Outcome of AGM
		<p>The CEO notes in his introduction that <i>we have placed ESG at the core of our organisation</i>. This is most heartening, and he does note that the company has now included ESG as a significant metric in executive bonus calculations.</p> <p>As with many companies today, we find that MTN does perhaps confuse business interests with ESG responsibilities. We do accept that there are grey areas, eg is extending network coverage a business imperative or an ESG responsibility. Companies do need to be clear on the distinction.</p> <p>The Report does clearly state targets and achievements to date. Many targets are longer term and we would like to see milestones with which to compare actual performance – eg Net Zero is to be achieved by 2040, but milestones to get there are not disclosed although achievement to date is.</p> <p>Overall a comprehensive and understandable report.</p>		
	Ordinary Resolution			
1	To consider the re-election of directors	<p>Before considering the appointment of individual directors, it is appropriate that we first consider the overall composition of the board. The key factors we consider are: Independence, Continuity, Skills and Diversity.</p> <p>The board has 12 non-executive directors all of whom are classified as independent and 2 executive directors. The non-independent director representing a significant shareholder, Mr Mikati retired after 15 years' service as a director. No other changes to the board are proposed.</p> <p>We have not had issues with independence of this board in the past but note a concern that we do not like the fact that a number of directors have previously worked together. Two served in the same group as CFO's (Mabasa-Koyana at Prasa and Molope at Transnet). Two, Ms Molope and Gasa both currently serve on the Old Mutual board. In addition Ms Molope serves on the Engen board together with former MTN Executive Chairman Mr Nhleko. This can lead to familiarity and loss of independence.</p>		

	Resolution	Rationale	Vote	Outcome of AGM
		<p>We did note our concerns with continuity in the past and are pleased that there have been no changes other than the retirement of Mr Mikati.</p> <p>The board does have a fair mix of skills and experience. Diversity is acceptable with a mix of nationalities and race. The number of women on the board and the management team needs to be improved, the age mix is acceptable.</p> <p>The Report only gives a very brief summary profile of each director and refers readers to the company website (the link did not work). Unfortunately, the website profiles are not complete and the reader has to refer to both the website and the Report. This should not be necessary.</p>		
1.1	SLA Sanusi	<p>Mr Sanusi, 61, has been a director for 3 years. He is suitably skilled and experienced and his attendance record was impeccable. He is a Nigerian, a country in which MTN has a significant presence. He is the chairman of 2 unlisted companies, these are unlisted companies so we do not consider him to be over-committed.</p>	FOR	FOR 99.3%
1.2	VM Rague	<p>Mr Rague, 64, has been a director for 3 years. He is suitably skilled and experienced. His attendance record for board meetings was impeccable and for committee meetings was good – he missed 1 meeting. He is however overcommitted as he is the chairman of a number of listed or major companies and serves on the board of at least 5 other major or listed companies.</p>	AGAINST	FOR 92.7%
1.3	KDK Mokhele	<p>Dr Mokhele, 68, has been a director for 3 years and is the Lead Independent Director (LID). He is suitably skilled and experienced and we have no questions regarding his independence. His attendance record was impeccable.</p> <p>However, he is a director of 3 other listed companies, 2 of which he is chairman and third of which he is LID. We find him to be overcommitted.</p>	AGAINST	FOR 93.0%
1.4	MH Jonas	<p>Mr Jonas, 62, has been a director for 3 years and is chairman of the board. He is suitably skilled and experienced to fulfil this role. His attendance was good. We did not find him to be overcommitted.</p>	FOR	FOR 93.7%

	Resolution	Rationale	Vote	Outcome of AGM
2	To consider the election of the Audit Committee members	<p>The independence of the board is not a concern and as such we have no special concern regarding the independence of the audit committee. We note below some concerns regarding the perception that the chair (Ms Mabaso-Koyana) and one of the members (Ms Molope) previously worked together and the fact that the chair was an executive partner with the auditors. Further Ms Molope and Ms Gosa are all members of the Old Mutual board. All 3 of the above directors were appointed to the board and audit committee in 2021.</p> <p>The CEO (Group President) is precluded from being a member of this committee and as such it is not desirable that he attends audit committee meetings seemingly by standing invitation. It is inconceivable that his attendance can sway the outcome of deliberations of this committee if he attends.</p> <p>Audit fees increased by 18.5% over the 2020 fee this after an increase after 22.5% in 2020. The audit committee report is silent on these increases, an explanation for such extraordinary increases is necessary.</p>		
2.1	SN Mabaso-Koyana	<p>Ms Mabaso-Koyana was appointed to the board and this committee in 2021.</p> <p>She is a former executive partner of Ernst & Young who are co-auditors of MTN, as such is not appropriate that she serve on, and chairs this committee.</p> <p>She was CFO of Transnet and Ms Molope was CFO of Viamax a Transnet subsidiary so it is most unlikely that she is well known to Ms Mabaso-Koyana. This may lead to a perception of a loss of independence which is most undesirable for members of this committee.</p> <p>We oppose her appointment to this committee on the basis of the sum of the concerns above and concerns regarding the performance of the committee which she chairs.</p>	AGAINST	FOR 93.9%
2.2	CWN Molope	<p>Ms Molope was appointed to the board and this committee in 2021. See above re her time as CFO of a subsidiary of Transnet, Ms Mabaso-Koyana was CFO of Transnet.</p> <p>Ms Molope is a director of Old Mutual as is Ms Gosa below.</p>	FOR	FOR 95.5%

	Resolution	Rationale	Vote	Outcome of AGM
		<p>This is starting to sound rather cosy.</p> <p>We do not consider this in itself to be sufficient reason to oppose her appointment to this committee.</p> <p>She is suitably skilled and experienced and her attendance record was impeccable.</p> <p>Ms Molope's appointment was opposed in 2020 due to the number of listed company directorships she held. She is no longer listed as a director of South32, and as such we are satisfied with her level of commitments.</p>		
2.3	NP Gosa	<p>Ms Gosa was appointed to the board and this committee in 2021. She is listed on the Old Mutual website as a director of that company as is Ms Molope above. We do not consider this in itself to be sufficient reason to oppose her appointment to this committee.</p> <p>She is suitably skilled and experienced and her attendance record was impeccable.</p> <p>She does not appear to be over-committed in terms of the number of directorships she holds.</p>	FOR	FOR 97.5%
2.4	VM Rague subject to his re-election as a director	<p>We have opposed Mr Rague's re-appointment as a director on the basis that he is overcommitted.</p>	AGAINST	FOR 95.8%
3	Non-binding advisory votes on the election of the Social, Ethics and Sustainability Committee members	<p>It is not a requirement for the company to put the appointment of the Social, Ethics and Sustainability Committee members to the shareholders. We commend the company for this as we believe that ESG issues are of great importance. We would prefer this to be a binding vote.</p>		
3.1	NP Gosa	<p>We have evaluated Ms Gosa as a member of the audit committee as above and support her appointment to this committee.</p>	FOR	FOR 99.2%
3.2	SLA Sanusi subject to his re-election as a director	<p>Mr Sanusi's suitability as a director has been evaluated above and we support his appointment to this committee.</p>	FOR	FOR 99.5%
3.3	SP Miller	<p>Mr Miller, 64, has been a director for 6 years and he is suitably skilled and experienced. His attendance record is impeccable, however we find that he is overcommitted as he is Executive Chairman of AINMT AB Sweden, CEO of Leaderman NV (Belgium), Leaderman SA (Lux) and non-executive director of MTS OJSC Russia (NYSE listed).</p>	AGAINST	FOR 99.5%

	Resolution	Rationale	Vote	Outcome of AGM
3.4	NL Sowazi	Mr Sowazi, 59, has been a director for 6 years and is suitably skilled and experienced. His attendance record at committee meetings was impeccable but his board attendance at 75% is not good. Mr Sowazi is listed as a director of 10 groups and whilst many of these are unlisted and consequently not as onerous, the sheer volume of them suggest he is overcommitted.	AGAINST	FOR 98.6%
3.5	KDK Mokhele subject to his re-election as a director	Dr Mokhele's reappointment to the board, above, has been opposed on the basis that we find him to be overcommitted.	AGAINST	FOR 98.6%
4	Appointment of Pricewaterhouse Coopers (PwC) as an auditor of the Company	The company commenced the process of audit firm rotation with the appointment of EY and as is right and proper have allowed an overlap. As such EY have been auditors for 1 year and PwC for 28 years. Despite the fact that PwC have served for such a long period, we support their reappointment given that audit firm rotation is being done in an orderly fashion.	FOR	FOR 68.4%
5	Appointment of Ernst and Young (EY) as an auditor of the Company	See above.	FOR	FOR 99.9%
6	General authority for directors to allot and issue authorised but unissued ordinary shares	We are not in favour of general resolutions of the nature of this resolution where no reasons and effects of the resolution are provided and we are given no information whatsoever regarding the circumstances under which the directors would choose to issue such shares.	AGAINST	FOR 90.7%
7	General authority for directors to allot and issue ordinary shares for cash	This resolution does provide more information than resolution number 6 above but most of the information provided is the limitations imposed by the laws and regulations which apply to share issues. The resolution does say that the directors have no immediate intention of exercising such a resolution and that the reason they wish to have the authority is <i>that the directors consider it advantageous to have the authority to issue ordinary shares for cash in order to enable the Company to take advantage of any business opportunity which might arise in the future.</i> This is fairly clear but the directors can and should call a general meeting for any such issue or indicate on what basis such shares would be issued as this could be prejudicial to minority interests.	AGAINST	FOR 85.5%

	Resolution	Rationale	Vote	Outcome of AGM
8	Non-binding advisory vote on the Company's remuneration policy	<p>The Remuneration Committee (Remco) consists of 5 directors who are all classified as independent. We have no issues with the composition or independence of this committee.</p> <p>The company has failed to have one or more of the remuneration resolutions, passed by the requisite majority of shareholders for at least 4 consecutive years. Remco has engaged with shareholders and Active Shareholder has taken part in those engagements. The Report lists the issues which Remco has identified from those engagements and the actions which Remco proposes to take. Nevertheless, it is unacceptable that the resolutions are not being passed for so many years and the company will have to dig deeper in getting to the bottom of shareholder discontent.</p> <p>We did note in the past that there was a disjunct between the shareholder experience and executive remuneration and this could be the fundamental problem.</p> <p>Changes to policy and disclosure as a result of consultations included: the non-performance retention element of the share plan was discontinued; an ESG metric was introduced for all staff. In addition, performance conditions for the share plan will be disclosed up-front: the TSR (Total Shareholder Return) metric; the ROE (Return on Equity) metric and the one-year cash flow metric (longer term cash flow will <u>not</u> be disclosed in the interests of confidentiality. We are pleased with these changes, in particular the introduction of the ESG metric and the improved disclosure.</p> <p>The independent remuneration consultants are named but details of their responsibilities are not provided.</p> <p>As is the norm, executive remuneration consists of Fixed Pay and benefits, Short-Term Incentives (STIs) and Long-Term Incentives (LTIs). The Report also talks of life-style benefits, recognition and workplace flexibility which is pleasing.</p> <p>The Report does not state that Fixed Pay for executives is benchmarked or how the benchmarking is carried out.</p> <p>The STI is dependent on</p>	FOR	FOR 88.6%

	Resolution	Rationale	Vote	Outcome of AGM
		<p>Financial Metrics: Service Revenue, EBITDA (Earnings Before Interest, Taxation, Depreciation and Amortisation), Operating Free Cash Flow, and Group attributable earnings. All are weighted at 20% being 80% of the STI. Clear plain English descriptions of each of the above are provided.</p> <p>Non-Financial Metrics: Market share; Customer Churn; Relative Customer NPS (a measure of customer satisfaction). The total weighting of these for Group employees and executives is 20% but the breakdown was somewhat confusing. Again, clear plain English descriptions were provided.</p> <p>The above metrics make up Company Performance which accounts for 70% of the STI for the CEO and CFO. The remaining 30% is made up of Team Performance which was less clearly defined.</p> <p>Overall, good descriptions and easy to understand other than Team Performance which seemed to be lightly brushed over.</p> <p>On target performance will see the CEO and CFO earn 100% of annual basic pay with a maximum of 200% and 175% respectively for stretch performance.</p> <p>LTI metrics and weighting are: TSR – this is clearly a relative TSR which we favour 22.5%; Cumulative Operating Free Cash Flow 22.5%; Return on Equity 22.5%; Compliance 5%; BEE 5%; and ESG 22.5%. The explanations of each metric are clear and easy to understand.</p> <p>We are pleased at the inclusion of ESG and the weighting given to it, but note that it does not include any governance measures.</p> <p>At threshold performance, the LTI is 22% and 25% of annual fixed pay for the CEO and CFO respectively. This escalates to 200% and 175% on target and remains at that level above target. We would prefer to see the LTI escalate more gradually on target reaching its peak above target.</p> <p>A non-equity scheme is used for executives outside of SA. An employee share plan exists for non-executive staff to encourage them to have a stake in the business.</p>		

	Resolution	Rationale	Vote	Outcome of AGM
		<p>The CEO and CFO have minimum shareholding requirements of 250% and 175% of annual Fixed Pay. Malus and clawback apply and the conditions are spelt out in the Report.</p> <p>A clear policy report which was easily understood. We have some reservations but support this resolution, but overall are happy with this policy report.</p>		
9	Non-binding advisory vote on the Company's remuneration implementation report	<p>The Report starts with an outline of key management changes made to drive company strategy and a summary of financial performance. The financial performance only covers the last 2 years. Given market turbulence in the recent past, a longer perspective would be useful. Overall percentage Fixed Pay increases are given for senior executives, executives and other staff. These range from 2.38% for executives through to 3.66% for SA employees. We are not told the company minimum wage nor what the internal Gini Co-efficient is.</p> <p>Fixed pay increased for the CEO was 2.38% for the Rand amount and 1% for the US\$ amount in respect of the Dubai operations. We trust that the US\$ amount will be discontinued now that the company is exciting the Middle East. The CFO's pay remains unchanged as she only joined in 2021. We find the Fixed Pay of the CEO and CFO to be very high at R 16.65m and R 9.2m at current exchange rates. The quantum of the Fixed Pay will affect the STIs and LTIs as these are based on Fixed Pay. This is in contrast the NED fees below which are paid at market median rates.</p> <p>The STI metrics, targets and performance are provided and based on those the company has clearly had a stellar performance with the CEO and CFO awarded STIs of R 28.9m and R 10.9m. The CFO only joined in 2021 so it is not possible to compare this to past performance. The CEOs STI increased 63% and represents 170% of his Fixed Pay. We find the STIs to be very high and based on the</p>	AGAINST	FOR 81.7%

	Resolution	Rationale	Vote	Outcome of AGM
		<p>fact that STI on target achievement is equal to 100% of Fixed Pay with a maximum of 200%, this does suggest the company shot the lights out.</p> <p>The CEO's and CFO's LTI awards made on 13 Dec 2021 were for 205 200 shares and 101 900 shares respectively. The list price on 13 Dec was R 160.50 per share thus the awards were worth R 32.93m and R 16.4m. We are not told what the share price was at the time of the awards and the price used is the quoted price on that date. The awards at these valuations are the full 200% and 175% of Fixed Pay for the CEO and CFO.</p> <p>LTI targets were all fully achieved per the table provided which saw shares to the value of R 37.7m vest for the CEO. The CFO only joined in 2021 so has no shares at this time. The CEO's award represents the full 2018 award which vested in full at a share price of R 198.21.</p> <p>Total single figure remuneration for the CEO and CFO was R 84.2m and R 23.9m. The CFO does not yet qualify for the LTI. These packages represent increases of 133% for the CEO, the CFO could not be compared.</p> <p>We commend the company on a remuneration report which was understandable and the issues were not buried in a lot of management speak. However, we still find the remuneration of the executive team to be very high, this is largely dependent on the high Fixed Pay which is insufficiently justified.</p> <p>We do believe the company has had an excellent year and it is pleasing that 5 year figures are available as a separate report, however the remuneration outcomes suggest that the targets were perhaps rather soft or that the company has really shot the lights out.</p> <p>Our key objection is the level of fixed pay which is higher than competitors and affects the level of STI and LTI.</p>		

	Resolution	Rationale	Vote	Outcome of AGM
10	Authorisation to sign documents to give effect to resolutions	An administrative matter.	FOR	FOR 100%
	Special Resolutions			
1	Approval of non-executive directors' remuneration for the period from this AGM until the next AGM	<p>Non-Executive Directors (NEDs) fees are benchmarked and the comparator companies are listed for local and foreign directors' fees. Various adjustments were made to bring fees to the market median of the comparator group. Most increases were modest but some were high and were marked as once-off.</p> <p>Foreign directors' fees are quoted in Euro and we do have a concern that these fees convert Rand at wildly different rates from 4.4 (Euro to the Rand) for directors through to 13.7 for the Social, Ethics and Sustainability committee members.</p> <p>However, other than that we found fees to be reasonable.</p> <p>The chair and members of the board and committees are a base fee and an attendance fee and the Report discloses base fee, attendance fee and total fee based on expected number of meetings for 2021 and proposed 2022 fees. Increases are also clearly disclosed.</p> <p>Good disclosure.</p> <p>This is presented as 37 resolutions – we support them all.</p>	FOR	FOR Average support 98.9% Lowest support 94.3% Highest support 99.9%
2	Repurchase of the Company's shares	<p>This resolution provides for the company or any of its subsidiaries to purchase or repurchase up to 10% of the issued share capital of the company at a price no greater than 10% above the average market price. The resolution will expire at the next AGM and is subject to the laws and regulations applicable.</p> <p>We are told that the resolution will be applied <i>should the directors deem it to be advantageous to the Company</i>, and that this will be used <i>to more efficiently utilise cash on hand</i>.</p> <p>Our base position is to oppose such repurchases and we are provided with no reasons to change this position.</p>	AGAINST	FOR 99.0%

	Resolution	Rationale	Vote	Outcome of AGM
3	Financial assistance to subsidiaries and other related and interrelated entities	We support the need for the company to be given the authority to provide financial assistance to subsidiaries or related entities on fair terms and in accordance with all the necessary laws and regulations. This resolution provides for this. However, we question the right of the company to be able to provide financial assistance to subsidiaries etc to purchase shares in the company.	AGAINST	FOR 98.3%
4	Financial assistance to directors and/or prescribed officers and employee share scheme beneficiaries	This resolution provides for financial assistance for beneficiaries of the employee share schemes to be provided with financial assistance in terms of those schemes. This is a limited right and is only in terms of share schemes and we support the resolution.	FOR	FOR 91.5%
5	Financial assistance in relation to MTN Zakhele Futhi (RF) Limited	This resolution provides for financial assistance in terms of the MTN Zakhele Futhi scheme only, which scheme was set up as part of MTN's BEE programee.	FOR	FOR 99.5%

OUTCOME OF THE AGM

The meeting was well attended with approximately 82% of shares voted, all resolutions were passed. This is the first time in 5 years that both the remuneration advisory resolutions were passed although support for these was not overwhelming with 82% and 88% support (these resolutions require 75% minimum support).

Over 30% of shareholders voted against the reappointment of PwC as auditors after their 28 years service.