ACTIVE SHAREHOLDER

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KAL Group

https://www.kalgroup.co.za/s3/notice-of-agm-2024

Annual General Meeting

6 February 2025

Financial Year End: 30 September 2024

Proxies voted
The Ditikeni Trust
SCAT

KAL Group's financial performance shows a mixed picture. There are clouds overhead due to **external factors such as volatile inflation, a deteriorating rail and road network, high interest rates and fuel prices**, which are reflected in revenue decreasing by 3% to R21.7 billion. The tone of the IAR is of anxiously searching for patches of blue sky, like the recurring headline earnings per share (RHEPS) of 561.58 cents, and a 12.6% return on invested capital (ROIC), consistently beating the weighted average cost of capital (WACC). Additionally, debt-to-equity is at its lowest in 10 years, at 51.3%. The group aims for a 12.5% or higher compound annual growth rate (CAGR) in RH, with a ROIC of 14% or higher, while maintaining a debt-to-equity ratio of circa 40%. Whether these little patches of blue sky are sufficient to make a sailor a pair of trousers remains to be seen. We are cautiously optimistic.

KAL Group demonstrated strong adherence to King IV principles in its remuneration governance structure, with clear oversight from an independent Remuneration Committee. The remuneration framework incorporates both financial and strategic objectives, with performance conditions tied to recurring headline earnings per share (RHEPS) growth and return on invested capital (ROIC). This approach aims to balance short-term performance with sustainable long-term value creation.

The company's governance framework shows commitment to ethical leadership through several key practices: implementation of malus and clawback provisions for executive compensation, establishment of minimum shareholding requirements for executives, and clear linkage of performance metrics to long-term value creation. The Social and Ethics Committee seems to exercise structured oversight of ESG matters.

In terms of ethics, KAL Group has an established ethics line for reporting concerns. They are also committed to fair remuneration practices, and link rewards to performance while offering competitive packages. A key focus is on ensuring fair, equitable, and responsible remuneration practices. This suggests a commitment to sustainable business practices from a social perspective. Socially, KAL Group invested R4.7 million in community projects. They also focus on education, hunger relief, and empowering new-generation farmers. The KAL Trust provided over R1.9 million in interest-free home loans to 47 employees, and financial assistance to 229 employees and their dependents. The group also participates in initiatives like Rise Against Hunger.

Environmentally, KAL Group has expanded its use of renewable energy by installing solar photovoltaic systems at multiple sites. They also monitor safety, health and environmental performance and conduct audits, with a 16% average spend on SHEQ training as part of the overall training budget.

A caution is that external factors such as volatile inflation, high interest rates, and fuel prices have impacted performance.

No as per Form	Resolution	Rationale	Vote	Outcome of AGM
	Presentation of the financial statements (AFSs) and reports of the directors, audit committee and external auditor of the company.	Active considers it best practice to allow shareholders the opportunity to adopt the AFS. However, it is not a requirement to do so, and few companies do this. KAL Group does not. Opportunities to ask questions are provided through a series of webcasts and presentations prior to the AGM. The auditors have expressed the opinion that the AFSs fairly present the results and financial position of the company. **We have no issues with the AFS but strongly support allowing shareholders the opportunity to adopt them.**		
	Presentation of an ESG report.	Shareholders of KAL Group are given an opportunity to comment on Environment, Social, and Governance (ESG) matters, although they do not formally adopt the ESG report, which is included as part of the integrated report, at the Annual General Meeting (AGM). In the interests of transparency and to give these important aspects more prominence we **strongly support allowing shareholders the opportunity to adopt the report(s)**		
Ordinary Resolutions				
Item1 **SR 1.**	Re-appointment of auditor	JHW de Kock as the designated audit partner, has provided audit services to the Group since 1 October 2023. We have no reservations about de Kock's competence or expertise. At this point we have no indication of how long the firm, Deloitte, has been acting as external auditors, which concerns us.	FOR	FOR 98.63% AGAINST 1.37%

No as per Form	Resolution	Rationale	Vote	Outcome of AGM
Appointment of directors		The current Board composition is as follows		
Item 2.1 **OR 2.**	Confirmation of appointment of Mr AJ Mouton as director	As Mouton has the necessary experience and expertise, we support his appointment.	FOR	FOR 100.00% AGAINST 0.00%
Item 2.2 **OR 3.**	Confirmation of appointment of Ms T Kabalin as director	As Kabalin has the necessary experience and expertise, we support her appointment.	FOR	FOR 100.00% AGAINST 0.00%

Director	Role	Appointment Date	Tenure yrs
GM Steyn	Independent NED (Chairman)	May 2013	11
CA Otto	Independent NED	November 2011	14
EA Messina	Independent NED	March 2017	7
D du Toit	Independent NED	March 2017	7
JH le Roux	Independent NED	April 2014	10
I Chalumbira	NED	September 2018	6
B Mathews	Independent NED	September 2022	2
AJ Mouton	Independent NED	April 2024	1
T Kabalin	Independent NED	July 2024	1
S Walsh	Executive (CEO)	Nov 2011	13
GW Sim	Executive (Financial Director)	August 2015	9

The longest serving NED. CA Otto, has therefore held office for 14 years.

No as per Form	Resolution	Rationale	Vote	Outcome of AGM
Item 3.1 **OR 4.**	Re-election of Mr CA Otto as director	Otto has been a director for 14 years. The King IV Report recommends that a non-executive member of the governing body may continue to serve, in an independent capacity, for longer than nine years if, upon an assessment by the governing body conducted every year after nine years, it is concluded that the member exercises objective judgement and there is no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision-making. While the documentation does not explicitly state whether the board has assessed CA Otto's independence annually after his nine years of service, it appears that they have deemed him to still be independent. In the absence of such reassurance, we do not support this resolution.	AGAINST	FOR 91.79% AGAINST 9.21%
Item 3.2 **OR 5.**	Re-election of Mr JH le Roux as director	Le Roux has been a director for 10 years and is therefore subject to the same caveats as Otto. We therefore do not support his re-election.	AGAINST	FOR 97.86% AGAINST 2.14%
Item 3.3 **OR 6.**	Re-election of Mrs D du Toit as director	Du Toit has served as a director for 7 years and is approaching her expiry date. However, we support her re-election for this year.	FOR	FOR 100.00% AGAINST 0.00%
Item 4.1 **OR 7.**	Re-appointment of Mr CA Otto as member of the Audit and Risk committee	For the reasons given at Item 3.1 we are against the re-election of Otto as a director and therefore his re-appointment as a member of the A&R Committee.	AGAINST	FOR 82.64% AGAINST 17.36%
Item 4.2 **OR 8.**	Re-appointment of Mrs D du Toit as member of the Audit and Risk committee	Noting her length of tenure, we support her re-appointment as a member of the A&R Committee for this year.	FOR	FOR 100.00% AGAINST 0.00%
Item 4.3 **OR 9.**	Re-appointment of Ms B Mathews as member of the Audit and Risk committee	Matthews has the requisite skills and experience. We therefore support her re-appointment.	FOR	FOR 100.00% AGAINST 0.00%

No as per Form	Resolution	Rationale	Vote	Outcome of AGM
Item 4.4 **OR 10.**	Re-appointment of Mr JH le Roux as a member of the Audit and Risk committee	For the reasons outlined in Item 3.2 we do not support he re-election as a director or re-appointment to the Committee.	AGAINST	FOR 97.02% AGAINST 2.98%
Non-binding advisory vote				
Item 5 **OR 11,**	Non-binding endorsement of KAL Group's remuneration policy	The remuneration framework links rewards to the achievement of the group's strategy and the creation of shareholder value. It also aims to link pay to performance. The total remuneration package consists of: Total Guaranteed Pay (TGP), Short-Term Incentive (STI) and Long-Term Incentive Plan (LTIP). This mix is applied to management-level positions. TGP includes basic pay, benefits and allowances, positioned at the 100th percentile of the market, ranging from 75% to 125% of the market's 100th percentile. STI is based on the Group achieving predetermined RHEPS growth targets, linked to the CPI plus an incremental growth target, capped at CPI + 12.5%. LTIP is an equity-settled scheme that uses Nil Cost Options (NCOs). The vesting is not dependent on share price growth. It also encourages a minimum shareholding requirement. The TGP pay scale framework is based on occupational levels that align with the new organisational structure. This framework includes job family clusters, as well as employment equity occupational levels. Performance-based pay is central to the company's practices, where remuneration increases are based on individual work performance. Increases only occur if the group is in a financial position to afford them. No remuneration increase is guaranteed.	FOR	FOR 94.83% AGAINST 5.17%

No as per Form	Resolution	Rationale	Vote	Outcome of AGM
Item 6 **OR 12.**	Non-binding endorsement of KAL Group's implementation report on the remuneration policy	The remuneration report focuses on payments made to non-executive directors and executive committee members during the year. The annual TGP increases for the executive directors were 6.05% for S Walsh and 6.29% for GW Sim. These increases were based on the company's profit, average CPI, and market salary increase indicators. The executive directors were awarded NCOs in May 2024, with vesting periods between 2026 and 2029. The total remuneration paid to S Walsh was R12,921,000 and R7,170,000 to GW Sim. While the documentation provided doesn't provide a precise ratio of the highest to the lowest pay, it's clear that a significant disparity exists between the CEO's remuneration and that of the general workforce. The CEO's total compensation is in the millions, while the lowest paid workers, who are not specified, receive considerably less, even when considering that the general worker group received a 7.1% average increase in 2024. KAL has implemented a 6.05% increase for the CEO and 6.29% increase for the Financial Director The company states that it is committed to fair and equitable pay but does not disclose how it is working to close the gap between the pay of executives and the lowest paid workers, as is recommended by King IV. **We strongly believe that a deliberate policy of closing the gap should be adopted.** We therefore do not support the resolution.	AGAINST	FOR 98.61% AGAINST 1.39%
Item 7 **OR 13.**	General authority to issue ordinary shares for cash	A company which wishes to issue shares for cash should provide a detailed reason for doing so. The issue does dilute existing shareholders and vague statements of intention are not sufficient. In the absence of any specific reason, we oppose this resolution.	AGAINST	FOR 87.15% AGAINST 12.85%
Special resolutions				

No as per Form	Resolution	Rationale	Vote	Outcome of AGM
Item 8 **SR 1.**	Approval of non-executive directors' remuneration	KAL Group's NED remuneration consists of a fixed annual fee for services as a director and an additional fixed fee for committee duties. This aligns with best practice. KAL's proposed fees for 2025 include a base fee of R232,000 for directors, with additional amounts for the Board Chairman (R555,000), and for committee membership and chairing, with the Audit and Risk committee having the highest fees. The fees paid to non-executive directors ranged from R110,500 to R887,000. The highest fee was paid to the board chair and the lowest fee was paid to a director who had been recently appointed. In general, the attendance rate for committee members across all committees appears to be high, with most directors attending all the meetings for which they were members. However, T Sulaiman-Bray attended 1/2 of the Social and Ethics meetings and AJ Mouton attended 1/2 of the Finance Committee meetings. **Active supports a scheme whereby a large proportion of the fees are paid for actual attendance.** We therefore do not support this resolution.	AGAINST	FOR 99.97% AGAINST 0.03%
Item 9 **SR 2.**	Share repurchases by the company and its subsidiaries	In principle we believe that companies should **not** be permitted to re-purchase shares in the market, except by way of a general offer to all shareholders. We therefore do not support this resolution.	AGAINST	FOR 98.61% AGAINST 0.39%
Item 10.1 **SR 3.**	Inter-company financial assistance	In principle Active believes that financial assistance to group companies is permitted, provided sufficient detail and motivation is provided. No such motivation is given on the Notice of Meeting; however, we note the reorganisation and acknowledge that some financial assistance may be required by related companies.	FOR	FOR 100.00% AGAINST 0.00%

No as per Form	Resolution	Rationale	Vote	Outcome of AGM
Item 10.2 **SR 4.**	Financial assistance for the subscription and/or purchase of shares in the company or a related or inter-related company	In principle Active believes that financial assistance is permitted, provided sufficient detail and motivation is provided. No such motivation is given on the Notice of Meeting; however, we note the reorganisation and acknowledge that some financial assistance may be required by related companies.	FOR	FOR 99.97% AGAINST 0.03%

AGM OUTCOME

Only 43.83% of the shares in issue were voted at the AGM. The total number of shares in issue as at the date of the AGM was 74 319 837, of which 3 708 514 were treasury shares.

This implies that less than half of the shares were voted. It is not clear if this indicates that shareholders are happy with the performance of the company or if this is shareholder apathy.