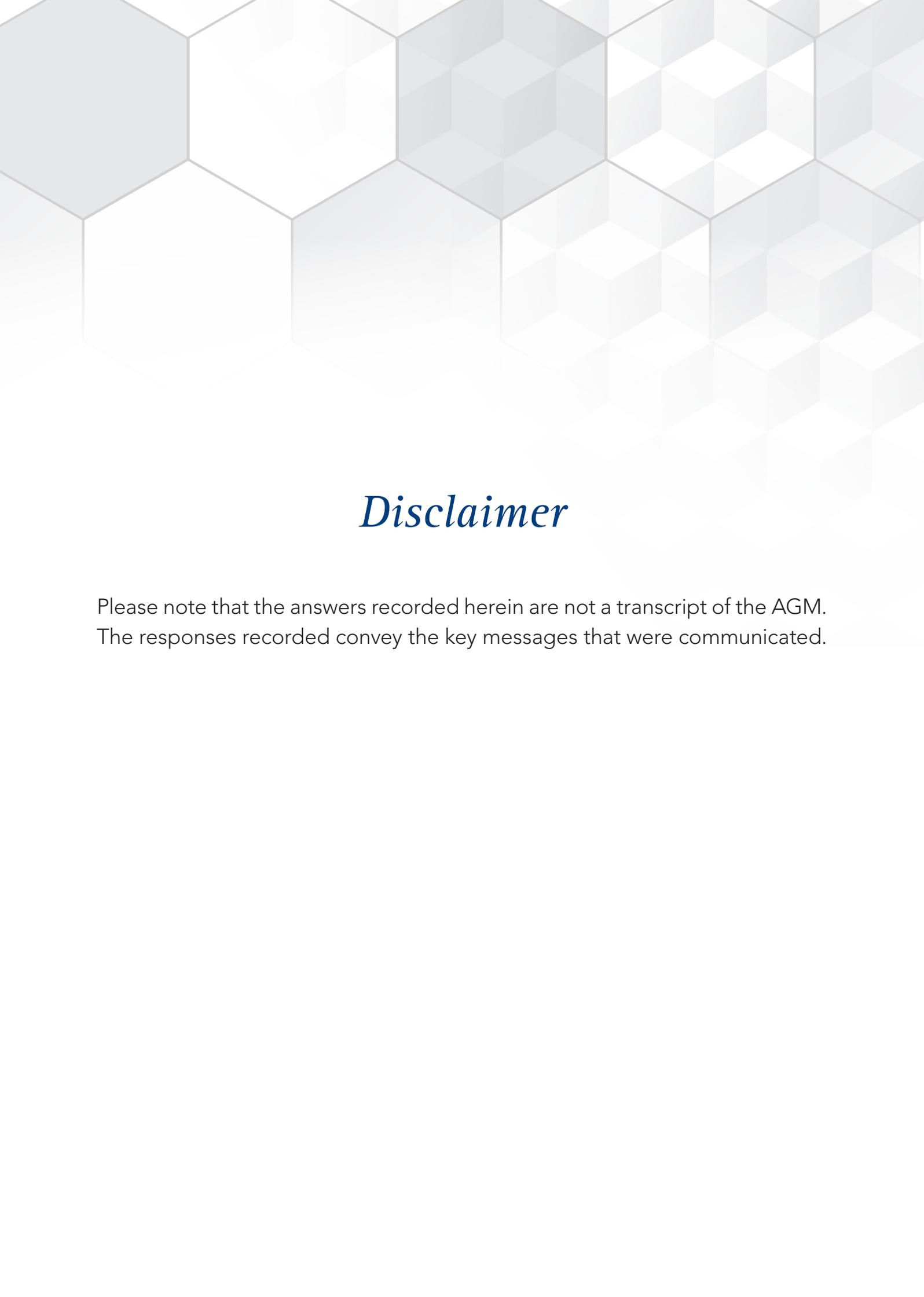




AGM QUESTIONS
AND ANSWERS
2020

Remgro
Limited



Disclaimer

Please note that the answers recorded herein are not a transcript of the AGM. The responses recorded convey the key messages that were communicated.

QUESTIONS RECEIVED AT THE WEBCAST AGM AND ANSWERS – 30 NOVEMBER 2020

Q: Questions regarding driving value creation through share ownership and “employee capitalism”:

At the 2019 AGM the Chairman spoke powerfully on share ownership *inter alia* “if the directors all owned a lot of shares they would watch the management and make sure that they get performance”. Numerous great companies practice what the Chairman preaches e.g. Amazon directors receive no cash compensation only stock based awards, Ball Corp, John Deere and Diageo expect their directors to own hefty multiples of their annual remuneration in shares and locally FirstRand as per page 108 of the FirstRand Integrated Report has “minimum shareholding requirements to ensure longer term alignment”. In the light of the above can the Chairman please advise why Remgro does not make minimum shareholding requirements another strategic priority at investee companies? – **Chris Logan**

A: Mr Rupert noted that it was a very good question that Mr Durand should investigate further, as he is fully aligned with Mr Logan. Mr Durand also agreed with the principle and noted that Remgro would investigate this further as it is a pertinent point.

Q: The Chairman also endorsed aligned incentives/EVA and Remgro has led and adopted aligned incentives for managers as a strategic priority at investee companies. To enhance performance further and to promote “employee capitalism” why does Remgro not try and ensure that this incentivisation goes all the way down to the shop floor on a commercial basis as is an integral part of EVA theory and is successfully practiced at great companies like Ball Corp (unions included) and top performing local chicken producer Astral as per page 90 of the Astral Integrated Report? – **Chris Logan**

A: Mr Rupert noted that in his experience, the trade unions generally preferred to receive cash instead of shares. As this was his experience from decades ago, he noted that it may be worthwhile investigating whether this is still the case.

Mr Durand noted that, as an example, at Wispeco, an investee company that has performed very well during Covid-19, they have a cash bonus scheme where every week the employees are able to track exactly what their bonuses are.

It still needs to be determined whether the employees at Remgro’s underlying companies prefer cash or shares.

Q: Remgro and its shareholders are undoubtedly currently living in difficult, unpredictable times. It’s easy to think cynically and pessimistically about our business in the short term. Can you please briefly describe, from your perspective, what makes you positive or excited about Remgro’s prospects for the next 5 to 10 years? – **Ernst Burger**

Translation of original question in Afrikaans below:

V: Remgro en sy aandeelhouders lewe sonder twyfel huidiglik in moeilike, onvoorspelbare tye. Dis maklik om sinies en pessimisties te dink oor ons besigheid in die korttermyn. Kan u asb. kortliks uit u perspektief beskryf wat u positief of opgewonde maak oor Remgro se vooruitsigte vir die volgende 5 tot 10 jaar? – **Ernst Burger**

A: Mr Rupert noted that all we can do is be very prudent and maintain our liquidity and solvency.

A tech company like Zoom, or a company in a booming place, will do well in the next 3-5 years. But companies that do survive are going to do very well. Mr Rupert apologised for not being able to be more optimistic, but noted that at least in South Africa, corruption is starting to be taken seriously. He further mentioned that around 2014, he raised concerns about the levels of corruption and that there was an outcry at the time. It was a big story and unsurprisingly, no-one supported his view and he was castigated. Now it is common knowledge and everybody can see what he cautioned against some 6 years ago. He noted that luckily now, he senses that this tide is turning. He thinks the general population were all shocked by the rampant theft that occurred during Covid-19 with the allocation of relief funds during the pandemic, and that this was perhaps the straw that broke the camel’s back allowing this trend to continue. This is what investors wish to see.

Investors don’t want to invest in places that they view as corrupt. Without investments, we won’t have economic growth, and without economic growth we won’t have job creation, so at least it is trending in the right direction. But the global economy is problematic, so we will continue to remain cautious.

Mr Durand mentioned the importance of ensuring that Remgro has the right balance between growth; turnaround; and cash generative assets.

Q: To Johann Rupert: At a Richemont AGM you were amazed that they could raise Euro bonds cheaply and the ECB was buying these up. There are two perspectives: the issuer is positive about these developments as it’s almost free capital. The saver is hurt by low retirement income. Inflation seems benign and for now everyone wins.

In SA’s case, the sovereign risk premia has increased dramatically. What will you do if gov/SARB starts monetizing debt causing further depreciation in the Rand?

Does this cause you to unbundle assets? Do you sit through it? Do you own the right assets for this scenario? – **Michael Avery**

A: Mr Rupert noted that Richemont is a company with a cost base in Swiss Francs and Euro's. It earns its income mainly in dollar related currencies, so it has a totally different currency profile.

Remgro tries as far as possible to match the currency of its income and expenses, which are mainly Rand related.

Mr Rupert closed by saying that he hopes that Remgro has the right assets.

Q: Hospital groups like Mediclinic have been unable to pass significant increases during the downturn. Under what scenarios do you see the Remgro discount narrowing? – **Michael Avery**

A: Mr Rupert stated that he can't comment on Mediclinic as it is a public company. In relation to the Remgro discount, Mr Rupert noted that Remgro does not determine the discount, shareholders determine the discount. Remgro does not look at the narrowing of the discount as its primary objective. The primary objective is to have a sustainable cash flow. If you create a sustainable cash flow, the earnings outlook will be bright. So our concentration is not on what is not under our control.

Q: Does the shake up at RCL (Strategy and new hires from CB) signal further embracing EVA as way to better align shareholders and management? – **Michael Avery**

A: Mr Durand noted that this was definitely the intention.

Q: Good day,

Thank you for the opportunity to ask questions.

Ordinary resolution 2: PricewaterhouseCoopers has been the appointed auditors for Remgro for the past 51 years. When will Remgro appoint a new audit firm? – **Tinyiko Mabunda**

A: Mr Williams noted that in terms of the requirements of the Independent Regulatory Board of Auditors, Remgro is required to rotate its external auditor for the 2024 financial year.

Remgro's Audit and Risk Committee is in the process of finalising the Remgro Group's Tender documentation, which Tender (RFP) process will be kicked off in Quarter 1 of the 2021 calendar year.

Due to the diverse nature of Remgro as an Investment Holding company, the Audit and Risk Committee resolved to include all the Remgro subsidiaries to participate in this RFP process, taking into account the governance responsibilities and fiduciary duties of the respective audit committees of these subsidiaries.

The Audit and Risk Committee is aiming to obtain a non-binding resolution approving the successful audit firm, as recommended by the Audit and Risk Committee, at the November 2021 AGM, in order to facilitate a smooth transition over 2 financial years ending 30 June 2022 and 2023.

The last set of AFS to be signed off by PWC will thus be for the year ending 30 June 2023.

Q: Independence of directors
Q: What is Remgro's policy on director independence? What factors and/or criteria do you consider when assessing each directors' independence? Where in the Integrated Report can we view each directors' Independence Assessment Report?
– **Tinyiko Mabunda**

A: Ms Lubbe noted that the independence of directors is evaluated by the Lead Independent Director and thereafter by the Board. Remgro does not include each directors' assessment report in the Integrated Annual Report, but takes King IV requirements into account, such as whether the director is a significant provider of financial capital or a provider of ongoing funding to the company and whether the director owns securities in the company, the value of which is material to the personal wealth of the director. Remgro also considers whether the director's independence of character or judgment has been affected in any way by his length of service as a director.

Mr Rupert commented that this is incredibly ironical, as it does not make sense that, on the one hand, we are called upon to remunerate directors with shares and then, on the other hand, if they own too many shares, they are no longer viewed as independent. It's total nonsense of course. You either know whether someone is independent of mind, or not. It's again closing the gate long after the horses have bolted.

Q: Ordinary resolution 16: Non-binding advisory vote on Remuneration Policy
Q: With regards to the LTIP, the performance conditions have been disclosed, however the actual targets (current and/or historical) have not been disclosed. This disables us from assessing whether the targets that were set are indeed in fair.
– **Tinyiko Mabunda**

A: Mr Williams noted that for the performance conditions, the base year is set at June 2018 for measuring performance of Remgro's intrinsic net asset value (INAV) and growth in the free cash flow at the centre. The first measurement date is 3 years ending FY2021.

He then drew attention to Remgro's Annual Integrated Report which sets out the vesting conditions applicable to the relevant schemes (on page 89), which conditions are linked to 1) growth in the intrinsic net asset value (INAV) – (50% weighting) and 2) growth in the free cash flow at the centre – (50% weighting).

For full vesting of the portion linked to INAV growth, INAV will need to equal or exceed the value calculated as South Africa's consumer price index (CPI) inflation rate plus South Africa's gross domestic product (GDP) growth rate plus an additional 1.25%, as measured over the three financial years.

For full vesting of the portion linked to growth in the free cash flow at the centre, free cash flow will need to equal or exceed the value calculated as CPI inflation rate plus an additional 1.25%, as measured over the three financial years

He further noted that actual performance over the past 2 years is below the threshold.

Q: Special resolution 1
We recommend that the fee structure for non-executive directors be split between a base fee and an attendance fee (in accordance with King IV). Splitting between a base fee and an attendance fee, strikes a balance between accounting for ongoing work and interaction by board members and encouraging attendance

A: It was noted that this is not a question and that Remgro takes note of the recommendation.

In closing an email of appreciation from Paul Harris was read out by Mr Durand:

Retirement from the Board

It has been a great pleasure and honour to serve on the Remgro board. This is a Company that sets an example of how companies should be managed. Decisions are made after thorough analysis of the risks and rewards. Good governance and integrity in all that it does is sacrosanct. The performance over a long period of time attests to it.

I have been privileged to work with outstanding directors who are people I admire and respect greatly. The breadth of knowledge and experience around the board room table has been impressive. I thank them for making my experiences so interesting and rewarding. Thank you also for the friendships that I value immensely.

The Company has been endowed with exceptional management. The attention to detail and thoroughness with which they go about their work is impressive and gave us on the Board confidence that the Company was in good hands. Another hallmark is their loyalty and commitment to the Company. In all the time I have been there I cannot recall ever having to suspend a senior executive or rely on executives in acting capacities. Those that didn't meet the high standards set fell on their swords. Your Company is in very good hands.

Finally, my sincere thanks to the Chairman, Johann Rupert. I have been privileged to know Johann as colleague and close friend for 50 years. In that time he has become the most formidable businessman and ethical leader of my generation. He has made immense, and at times unheralded contributions, in philanthropy, sport and the arts not only in South Africa but globally. He is a passionate South African but also a true international icon. Many in South Africa simply do not understand, or do not want to understand, what a great asset he is to the country and the massive unheralded contributions he makes to it. My hope is that the country's leaders will in future set aside their narrow political affiliations and tap into his wisdom and the international exposure which he can provide that is so desperately needed in these times.

My thanks therefore to Johann the man and Johann the friend. You have enriched my life.

– Mr P K Harris