



## **REVIEW OF REMUNERATION FOR UCL DIRECTORS**

1. The remuneration of the Directors of Uganda Clays Ltd is provided for under section 8 of the Board Charter. Paragraph 8.1 of the Charter provides that the remuneration of the Directors shall be determined by the Shareholders in the Annual General Meeting and shall take into account inflationary effects, the Board's own recommendations on a suitable remuneration package, and remuneration levels of Directors of similar enterprises.
2. According to paragraph 8.2 of the Charter, the remuneration may consist of:
  - (i) monthly retainer allowance
  - (ii) sitting allowance and duty allowance
  - (iii) travel and subsistence expenses payable while on official authorised or scheduled business of the Company.
3. Under paragraph 8.5 of the Charter, the Board Administration and Technical Committee of the Board of Directors is mandated to conduct periodic reviews of Director compensation and advise the Board accordingly, to ensure that Directors receive reasonable compensation for their services.
4. The remuneration of the Directors of the Company was last reviewed and fixed by the Annual General Meeting held on 7-7-2017 and currently consists of a monthly retainer, sitting allowance and fuel allowance as follows:

### **Chairperson:**

- |                         |   |                                |
|-------------------------|---|--------------------------------|
| (i) Sitting allowance   | - | UGX 750,000 gross per sitting  |
| (ii) Monthly retainer   | - | UGX 1,000,000 gross per month  |
| (iii) 40 litres of fuel | - | UGX 160,000 gross per sitting. |

**Other Directors:**

- (i) Sitting allowance - UGX 660,000 gross per sitting
- (ii) Monthly retainer - UGX 750,000 gross per month
- (iii) 40 litres of fuel - UGX 160,000 gross per sitting.

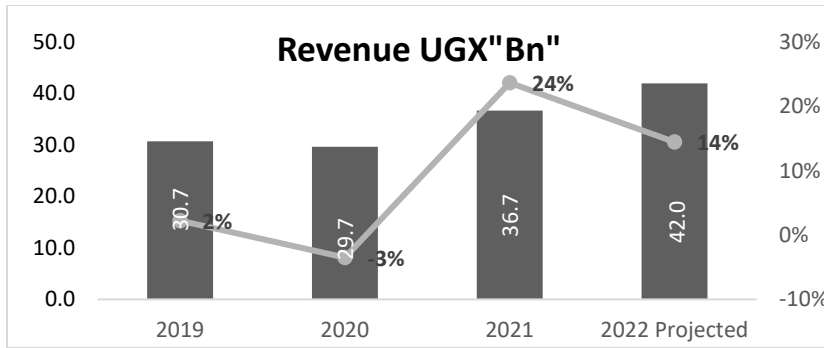
5. Management of the Company has carried out a survey on remuneration of directors in a number of entities in the manufacturing, commercial and service sectors whose results are summarised into the table:

<b>Monthly Averages</b>					
<b>Entity</b>		<b>Retainer</b>	<b>Sitting Allowance</b>	<b>Other</b>	<b>Total</b>
Aaaaaaaaaaaaa	Board Chair	1,066,667	533,333	0	1,600,000
	Committee Chair	966,667	466,667	0	1,433,333
	Director	900,000	450,000	0	1,350,000
Bbbbbbbbbbbbb	Board Chair	5,119,733	1,623,282	0	6,743,015
	Committee Chair	3,788,700	1,201,260	0	4,989,960
	Director	3,754,633	1,190,458	0	4,945,092
Ccccccccccccc	Board Chair	0	2,000,000	0	2,000,000
	Committee Chair	0	1,500,000	0	1,500,000
	Director	0	1,500,000	0	1,500,000
Ddddddddddddd	Board Chair	0	533,333	0	533,333
	Committee Chair	0	533,333	0	533,333
	Director	0	533,333	0	533,333
<b>Average</b>		<b>2,599,400</b>	<b>1,005,417</b>	<b>0</b>	<b>3,604,817</b>

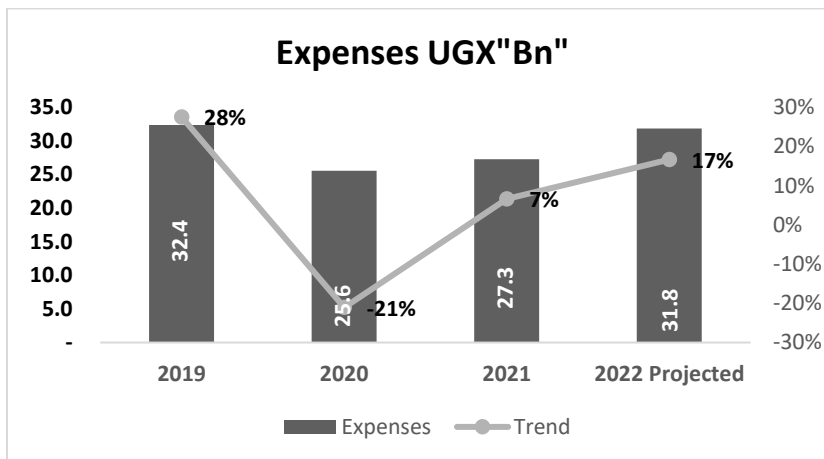
6. In comparison the above surveyed entities, the remuneration of the Company's Directors is quite low. It is proposed that the remuneration be improved on the following grounds:

- 6.1 The Company is reasonably growing its revenues year on year as seen in Company performance tracker. Its profitability has also improved and is no longer making losses and can therefore afford an upward review of the Directors' remuneration. A summary of the company performance (revenue, expenditure, and net profit) is presented as follows.

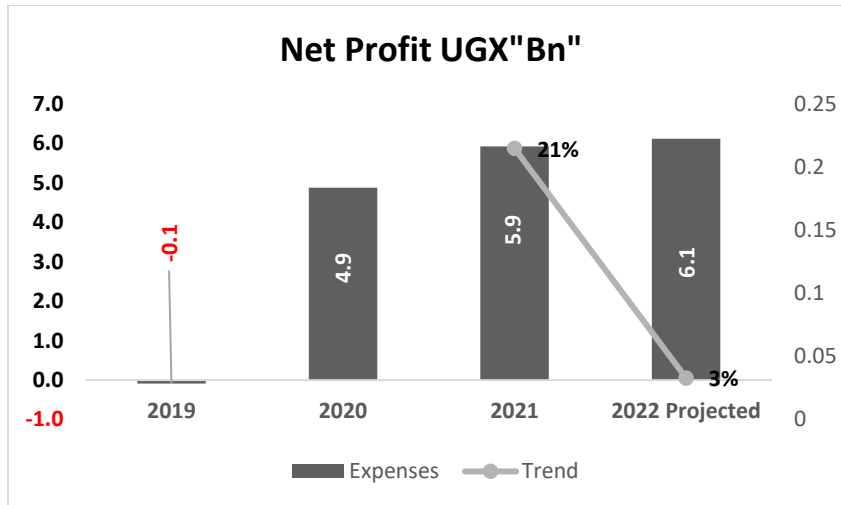
The company is anticipating to close 2022 with a sales revenue of about UGX 42 billion which is a 14% growth from 2021 driven by market expansion and aggressive sales drive through agents.



The company's expenditure is expected to grow by about 17% from UGX 27.3 billion to UGX 31.8 in 2021 and 2022 respectively majorly driven by revenue growth on the variable side and inflation on the fixed side.



Given the revenue growth coupled with better cost management, the Company project to close the year 2022 with a net profit of about UGX 6.1 Bn which is a 3% improvement from the year 2021.



- 6.2 The oversight role of the Company’s Directors has played a critical role in the turnaround of the Company’s performance. Therefore, improving the remuneration of the Directors to recognize their contribution would be the right thing to do.
- 6.3 The increase would compare reasonably with the average remuneration in the above table.
- 6.4 The Directors’ emoluments were last reviewed 5 years ago in the Annual General Meeting held on 7-7-2017. The increase would to an extent mitigate the impact of depreciation on the value of the Uganda shilling over the years due to the cumulative impact of inflation over the years.
- 6.5 The fuel allowance of 40 litres is currently paid at a rate of UGX 4,000 per litre. However, the price of fuel per litre is currently in the range of UGX 5,500.
7. Since the Covid-19 pandemic erupted, most of the Board and Committee meetings are held virtually. Directors have therefore been incurring data expenses to attend the meetings. In addition, the Board approved the introduction of a Board electronic portal on which Board papers will be uploaded and accessed by the Directors. The portal is currently under procurement. There will be no circulation of physical Board packs as was the case in the past. Directors will constantly need data to access the portal to read the documents. It is therefore recommended to introduce a monthly data package for the Directors in the sum of UGX 150,000 for 65 GB.

8. It is therefore proposed to improve the Directors' remuneration as indicated in the table below.

	<b>Monthly retainer</b>	<b>Sitting allowance</b>	<b>Fuel allowance</b>	<b>Data (65 GB)</b>
<b>Board Chair</b>	2,000,000	1,600,000	40 ltrs (220,000)	150,000
<b>Committee Chair</b>	1,600,000	1,450,000	40 ltrs (220,000)	150,000
<b>Director</b>	1,500,000	1,350,000	40 ltrs (220,000)	150,000

The percentage increase in the monthly retainer and sitting allowance is shown in the table below.

	<b>Current</b>		<b>Proposed</b>		<b>% Increment</b>	
	<b>Retainer</b>	<b>Sitting</b>	<b>Retainer</b>	<b>Sitting</b>		
<b>Chairman</b>	1,000,000	750,000	2,000,000	1,500,000	100%	100%
<b>Committee Chair</b>	750,000	660,000	1,600,000	1,400,000	113%	112%
<b>Director</b>	750,000	660,000	1,500,000	1,350,000	100%	105%

9. The fuel allowance is payable only when the Directors travel to attend physical meetings. Data allowance is payable monthly together with monthly retainer.
10. The proposed remuneration would take effect from July 2022, if approved by the AGM.



**Lex Uganda Advocates & Solicitors**  
**COMPANY SECRETARY**