

## STANLIB Proxy Voting Policy

**STANLIB**

## STANLIB's Proxy Voting Policy Overview

STANLIB takes an active role when considering corporate governance and investing on behalf of our clients. We adhere to the Companies Act and King IV corporate governance code as well as being a signatory to the UNPRI code and endorsers of the South African Code for Responsible Investing (CRISA). The proxy voting policy provides a guideline of how we apply ownership rights relating to our various equity investments.

### Voting principles

Our overarching voting principles are to act in the best interest of the beneficial owners of the shares that we represent. Our voting outcomes are informed by our Environmental Social Governance framework. On the issue of governance, we prize independence and integrity together with diversity, experience and gender balance on boards and cast our votes to maintain and promote this balance. On remuneration policy we encourage transparency in reporting and rewards that align with shareholder interests. We vote to protect our shareholdings from dilution but also to empower management teams to grow the businesses under their stewardship sustainably.

### Voting process

A voting process is important to ensure our clients rights as shareholders in a company are well represented. STANLIB will vote on each and every proxy as custodians of our client's. Our analysts, in consultation with the Head of Investments and Head of Equities will recommend a course of action for every proxy vote. Where we have a mandate to vote on client's behalf, we will implement on that recommendation. For non-discretionary mandates, our in-house recommendation is presented to our clients, before voting on their instruction. Where issues are unclear, we will contact the management of the company and clarify the issue first. All votes cast by STANLIB are recorded and are reported back to clients on request. As it is important that we remain transparent around our voting activities, our proxy voting results are tabled quarterly and disclosed on the STANLIB website.

Our team of equity analysts deal with all proxy voting as part of their ongoing research responsibilities. It is the analyst's responsibility to understand the issues that require voting upon. There is an automated process driven by the Corporate Actions Department at STANLIB that forwards to the analyst team a report of all resolutions proposed. Where the resolutions relate to ordinary business, the Head of Equities will approve voting in line with the analyst's recommendation. In the event that there are controversial issues without a precedent, the Head of Investments and the Head of Equities will consult with and advise the analyst. In such instances we will engage with the Investee Company to advise them of our course of action.

While this voting policy serves as a guideline, our responsibility to clients is to analyse each resolution in the context to which it applies. Therefore, in some instances, we might not vote in strict adherence to these guidelines if it impedes our overriding mandate of optimizing risk adjusted performance in the long run.

In the event that an issue is unclear, we will immediately contact the management of the company and clarify the issue prior to the meeting. We will from time to time ask for the postponement of a meeting to enable management to reconsider its proposed resolutions. In the event of a complicated transaction, we would request that critical issues within the transaction be voted on separately and not be hidden within the main resolution.

Where we conceptually agree with what management is trying to achieve but we have some in principle disagreements we will, on record, make it clear that we disagree with some of the issues but still agree to vote in favour.

Voting guidelines, the following is a list of how STANLIB will use their proxy votes. The list is not meant to be exhaustive, it simply provides a guideline.

## 1. Composition of the Board

We critically evaluate the board of directors of all investee companies, and we will recommend changes to the Chief Executive Officer (CEO) or Chairperson if we feel it is warranted. After thorough analysis of the board composition, STANLIB will vote in a manner to ensure:

- A board comprises of a critical mix of skills and experience, and sufficient capacity for necessary committee functions.
- A board comprises a majority of non-executive directors.
- The majority of these non-executive directors should be independent from management.
- The number of directors should be appropriate for the size and complexity of the business.
- The size, diversity and board demographics make it effective.
- The board displays a balance of power, so that no group of individuals can dominate any part of the decision-making progress.
- Non-executive directors are suitably dedicated to the company. STANLIB would consider voting against the re-election of non-executive directors who have not attended the majority of board meetings without suitable motivation.
- The number of Board positions held by a single individual does not compromise on their responsibilities to the company. We have occasionally voted against a director's re-appointment where in the opinion of the analyst, the individual sits on too many different Boards. Where an individual director sits on more than five Boards, further analysis is needed. The key is for increased disclosure (regardless of the number of Board appointments) to allow shareholders to assess the overall effectiveness of the Board as well as the contribution made by the respective Board members.
- The Audit, Remuneration and Nomination committees include a majority independent non-executive directors.
- The Audit, Remuneration and Nomination committees are chaired by an independent non-executive director.

## 2. Chairperson of the Board

STANLIB will vote in accordance with the following regarding the chairperson:

- The Chairperson and the CEO should not be the same person.
- The CEO should not become the chairperson until 3 years have lapsed.
- The Chairperson should not be a member of the Audit Committee.
- The Chairperson should be an independent non-executive director.
- Should a non-independent director be appointed, the role of the lead independent director should be disclosed in the company's integrated annual report.
- The Chairperson's ability and performance should be assessed against what is expected.

## 3. Selection of Board members

STANLIB will favour the following resolutions when voting on director appointments:

- At least one third of non-executive directors should be up for re-election each year.
- Directors should be voted on individually by a single resolution.
- Balancing the board taking into account the existing diversity, skill-sets and experience.
- The nomination for the re-appointment of a director should only occur once an evaluation of the director's performance and attendance is done.

## 4. Remuneration

After reviewing a company's remuneration policy, STANLIB would consider voting against the remuneration policy where:

- Director remuneration is excessive in comparison to competitor companies.
- A poor performance management process is evident.
- Management performance targets are not aligned to long-term shareholder value creation.
- The remuneration policy is not sufficiently transparent.
- Non-executive director's remuneration should be paid primarily in cash.

## 5. Share options

STANLIB will vote in favour of issuing share options if the following apply:

- The options must be based on performance targets that are transparent, demanding and approved by both the remuneration committee and shareholders.
- Participation is broad-based.
- The options are issued at or above market price.
- The vesting period should be over a reasonable period.

## 6. Share issues

STANLIB would consider providing directors the authority to issue up to a maximum of 10% of shares without needing our approval for smaller companies. For large companies this will be limited to 5%. Where a company continues to destroy value via share issues, we will vote against authorising the issue of shares.

## 7. Share repurchases

STANLIB will generally support a share repurchase limit of 10% of outstanding issued share capital if the terms comply with the following:

- The company has adequate cash resources.
- The current share price is below what we feel is its intrinsic value.
- It does not impair the tradability of the share.
- It does not impact negatively on the capital structure of the business.

## 8. Appointment of the Auditor

STANLIB will vote in favour of the re-election of auditors unless:

- The audit fees are not reasonable given the size and complexity of the audit.
- The external auditors have previously served as senior management in the company or the company appoints a former member of the audit team into a senior position.
- The annual non-audit fees exceed the standard annual audit-related fees.
- There are repeated material misstatements in the Annual Report.
- There are serious concerns regarding the auditor's procedures and methodologies.
- Mandatory Auditor rotation is ignored by the board of directors of the company.

## 9. Conflict Resolution

If STANLIB continuously encounters conflict with directors and management regarding material risks and there is a lack of providing suitable solutions, we would use our rights to vote against the re-election of directors associated with these issues and potentially voting against the acceptance of the financial statements.

In the event that the company is diametrically opposed to our view, we would call for an extraordinary general meeting (“EGM”) and insist that our proposed changes be put to a vote by shareholders. In the event that we go so far as calling for an EGM, we would canvass other institutional investors regarding our proposed change.