

Introduction

These guidelines are issued by Nedgroup Investments in respect of the Funds for which it acts as Investment Manager. Nedgroup Investments owes the Funds a duty of care and loyalty with respect to the services undertaken on the Fund's behalf, including proxy voting. For its externally managed assets, Nedgroup Investments has delegated proxy voting to the Fund's sub-investment manager. While this function has been delegated, Nedgroup Investments still has a responsibility to continue to oversee that function. Where delegation has not been undertaken for specific funds, Nedgroup Investments insources the capability with Nedbank Private Wealth and our inhouse Responsible Investment Analyst.

This Policy sets out Nedgroup Investments' guidelines for the voting of shareholder resolutions as they pertain to listed equity. Stakeholders should read the Policy within the broader context of the Nedgroup Investments Responsible Investment Guidelines, which state: Nedgroup Investments takes its responsibility towards client assets seriously; as a result, we aim to ensure that the board and management are ultimately accountable for company performance and conduct.

Historically, our policy has been to disclose sub-investment manager and fund specific voting records to clients upon request, since the first quarter of 2020 these are also available to the public on our website and fund landing pages. Further to this, we will manage potential conflicts of interests through our existing conflict of interest management processes.

- Excerpt from the Nedgroup Investments Responsible Investment Guidelines

This policy is applicable to all mandates that include equity as a component, recognising:

- the investment principles that govern each of our investment teams
- the unique value proposition of each manager and the independent nature of their investment styles
- the mandated responsibility of managers to pursue superior risk-adjusted returns on behalf of our clients.

Role in Nedgroup Investments' responsible investment mission

Proxy voting is central to our Nedgroup Investments Responsible Investment (RI) initiative, a framework that was conceived in 2019 and continues to be developed over the years. As mentioned in our Responsible Investment Policy document, we acknowledge that RI is not prescriptive, and we appreciate that our sub-investment managers are at unique stages in their own Responsible Investment journey.

This same approach applies to how our external managers' proxy voting is carried out, but one sweeping condition is that we and our partners endeavour to participate and vote at all investee company AGMs. This provides an opportunity to exercise basic shareholder rights and have a say in factors such as the election of directors and remuneration policy.

For our South African mandates, we encourage the adoption of the King IV Codes on Corporate Governance and the underlying principles thereof. Furthermore, Nedgroup Investments acknowledges the evolution of King IV from King III where rigidity was substituted for a more principles-based approach. A degree of critical thinking informs the voting action, with the shareholders best interests at the heart of these steps.

Further to this, we and our external managers substantiate voting decision-making, with a focus on votes cast against company resolutions. By displaying the voting rationale in the public domain, we hope to satisfy the notions of transparency and disclosure, but more importantly, we view it as a critical step in encouraging better corporate behaviour of our investee companies.

The following sections of this document will address the guidelines our investment teams will apply when voting proxies on behalf of our clients or overseeing the proxy voting function.

Proxy voting guidelines

Several of the Nedgroup Investments Funds are managed by other investment firms on a sub-investment management basis. There are also several funds that are invested in other funds that are managed by external investment firms (fund of funds). In that case, the proxy voting function is delegated to the relevant sub-investment manager, where the function is



not delegated, we allocate dedicated internal resources to carry out the responsibilities. In Nedgroup Investments' role in overseeing that function, the following considerations are taken into account:

First, it is established that a sub-investment manager has a proxy voting policy of their own – one that is reasonably designed to prevent violations of relevant regulation such as the King Code on Corporate Governance; the governance provisions in the South African Companies Act 71 of 2008; the listing requirements of the JSE, as well as any other applicable code that governs proxy voting for an investor in South Africa and those applicable to investment managers in the EU and other relevant jurisdictions. It should also make sense in the context of the proxy voting policy that our internally managed assets are bound by.

Thereafter, the proxy votes for each Fund are collected quarterly and monitored by our investment team members to see if they are consistent with the investment manager's stated proxy voting policy, and that they do not go against the other stated proxy voting guidelines mentioned above.

Our sub-investment managers may choose to vote in a manner that is contrary to what is presented here. In such instances, deviations from the guidelines will be clearly recorded and explained on request.

Sub-investment managers will exercise each proxy on the merits of the case for each such proxy, and from the viewpoint of the client, without regard to any interests of Nedgroup Investments, the manager, its staff, officers, directors or its associated companies. The same considerations which apply to the group of external managers equally applies to the Nedgroup Investments Core Range in the same fashion.

Proxy votes for Nedgroup Investments Funds are available on our website and on request. Please find below links to the latest voting policies and related documents for each of the actively managed Nedgroup Investments funds:

Nedgroup Investments Rainmaker Fund

[Responsible Investing documents](#)
[Rainmaker Fund proxy voting policy](#)

Nedgroup Investments Stable Fund

[Responsible Investing documents](#)

Nedgroup Investments SA Equity Fund

[Responsible Investing documents](#)
[SA Equity Fund proxy voting policy](#)

Nedgroup Investments Entrepreneur Fund

[Responsible Investing documents](#)
[Entrepreneur Fund proxy voting policy](#)

Nedgroup Investments Financials Fund

[Responsible Investing policies](#)

Nedgroup Investments Mining & Resources Fund

[Responsible Investing documents](#)
[Mining and Resources Fund proxy voting policy](#)

Nedgroup Investments Property Fund

Nedgroup Investments Flexible Income Fund

[Responsible Investing documents](#)
[Flexible Income Fund proxy voting policy](#)

Nedgroup Investments Opportunity Fund

[Responsible Investing documents](#)
[Opportunity Fund proxy voting policy](#)

Nedgroup Investments Balanced Fund

[Responsible Investing documents](#)
[Balanced Fund proxy voting policy](#)

Nedgroup Investments Managed Fund

[Responsible Investing documents](#)
[Managed Fund proxy voting policy](#)

Nedgroup Investments Global Cautious Fund

Nedgroup Investments Global Flexible Fund

Nedgroup Investments Global Equity Fund

[Responsible investing documents](#)
[Global Equity Fund proxy voting policy](#)

Nedgroup Investments Global Property Fund

[Responsible investing documents](#)
[Global Property Fund proxy voting policy](#)

Nedgroup Investments Contrarian Value Fund

Nedgroup Investments Bravata Worldwide Flexible Fund

[Responsible Investment policy](#)
[Bravata Worldwide Flexible Fund proxy voting policy](#)

Nedgroup Investments Global Emerging Markets Fund

[Responsible Investment documents](#)
[Global Emerging Markets proxy voting policy](#)

Nedgroup Investments Global Behavioural Fund

[Responsible investing documents](#)



► Nedgroup Investments Core Range

| Fourth Quarter 2023



This portion of the Policy sets out Nedgroup Investments Core (Passive) Range's guidelines for the voting of shareholder resolutions as they pertain to listed equity.

Nedgroup Investments Core takes its responsibility as a shareholder seriously; as a result, we aim to ensure that management and the board are held accountable for company performance and conduct. We will act as a responsible steward of assets on behalf of our clients by:

- Maintaining a copy of our Listed Equity Proxy Voting Policy on our website
- Voting on proxies in a manner that is consistent with our proxy voting policy
- Publishing the votes on our website
- Working with other co-investors regarding material ESG issues at investee companies, being mindful of not acting in concert

Approach to proxy voting

As a responsible investment manager, Nedgroup Investments Core Range's primary aim is to ensure the achievement of superior risk-adjusted returns in line with our client mandates. Aligned with this objective, our proxy voting and engagement activities are an integral part of Nedgroup Investments Core's investment strategy aimed at enhancing long-term value.

We recognise that confidence in the integrity and quality of management is essential to long-term value creation and investor confidence. Nedgroup Investments Core aims to contribute to investment performance by supporting the application of the highest standards of corporate governance in the companies in which it invests on behalf of clients.

Our approach to proxy voting draws on aspects of the King IV code on corporate Governance; the governance provisions in the South African companies Act 71 of 2008; the listing requirements of the JSE, as well as international guidelines such as the OECD corporate Governance Principles (2004); the ICGN Statement on Global corporate Governance Principles (2005); and the Association of British Insurers Guidelines.

Nedgroup Investments Core understands that clients may have their own proxy voting policies and may wish to opt out of Nedgroup Investments Core's policy. Where this occurs, Nedgroup Investments Core will put in place mechanisms to ensure adherence to the client's proxy voting policy.

Proxy voting procedures

The actions of Nedgroup Investments Core are always subject to client instruction with regard to the manner of voting. Failing direct instruction, Nedgroup Investments Core will vote using the accompanying proxy voting guidelines. Further to this, in the event that a client has implemented a particular voting policy, Nedgroup Investments Core will abide by specific instructions on specific votes, as it is always within the client's contractual discretion to vote their own shares. However, Nedgroup Investments Core is not in a position to implement broad policy principles proposed by our clients, as there is a risk to the client that Nedgroup Investments Core may misinterpret these.

Proxy voting guidelines

This section provides an overview of the general principles and guidelines that Nedgroup Investments Core will apply when voting listed equity proxies. Nedgroup Investments Core will exercise each proxy on the merits of the case for each such proxy, and from the viewpoint of the client, without regard to any interests of Nedgroup Investments Core, its staff, officers, directors, or its associated companies. Where separate client proxy voting instructions are provided Nedgroup Investments Core will abide by client instructions.





Board of Directors

General Principles

- Nedgroup Investments Core assesses each proposal on board composition and responsibilities on a case-by-case basis, taking into account the circumstances of the company, its track record and the overall governance framework.
- Nedgroup Investments Core supports the guidelines in King IV with regards to board composition, function and responsibilities, specifically:
 - The board is accountable for the performance and affairs of the company.
 - It should delegate to management and board committees, but it retains liability.
 - A unitary board with a mix of executive and non-executive/independent directors is appropriate to South Africa.
 - The responsibilities of the board include: providing strategic direction; retaining full and effective control; complying with laws and regulations; defining levels of materiality; identifying and monitoring key risks and key performance areas; and having a written board charter and/or Terms of Reference for its various board committees.
- Nedgroup Investments Core supports board structures where all the directors are able to act only in the best interests of the company, its shareholders and other stakeholders in an inclusive manner, and where they may exercise independent judgement and decision-making. A fundamental aspect of a well-balanced and well-governed board is one where the majority of directors are independent non-executives. The chairperson of the board should be independent (in accordance with the below assessment criteria), alternatively a lead independent director should be in place. If the sole concern in assessing independence is that the chairperson has a substantial shareholding in the company, we will evaluate his or her position in the context of the best interests of the company.
- For the purposes of evaluating whether directors are independent, the following definition will apply;
The director:
 - does not represent and was not nominated by a major shareholder;
 - has not been employed by the company or the group in any executive capacity for the preceding three financial years;
 - is not an immediate family member of an individual employed by the company or the group in an executive capacity in the preceding three financial years;
 - is not a professional advisor to the company or the group other than in the capacity as a director;
 - is not a significant or material supplier or customer of the company or the group and is not materially associated with such a supplier or customer;
 - has no significant or material contractual relationship with the company or the group (other than as a director);
 - is free from any business or other relationship which could be seen to materially interfere with his/her ability to act independently;
 - is not a substantial shareholder of the company;
 - does not represent any shareholder who has the ability to control or materially influence management and/or the board;
 - is not otherwise associated directly or indirectly with a substantial shareholder of the company; and
 - meets any other criteria in terms of applicable legislation.
- Nedgroup Investments Core will consider supporting the election of a director where the term of service is beyond nine years so long as:
 - an independent assessment by the board concludes that there are no relationships or circumstances likely to affect, or appearing to affect the director's judgement.
 - every year the independent directors undergo an evaluation of their independence by the chairman and the board.

Role Of CEO and Chairperson

- Recognising the importance of a board structure where power and authority is not vested in one person, Nedgroup Investments Core will, subject to the second bullet point below, vote against proposals where the role of CEO and chairperson are combined, based on the following:





- Listed companies are expected to comply with rule 3.80 of the JSE Listing Requirements: continuing Obligations, which requires a separation of roles.
- In exceptional circumstances, Nedgroup Investments Core may vote for a combined role in listed companies after taking the following into consideration:
 - Overall governance structures of the board
 - A majority of independent board members with clearly delineated and comprehensive responsibilities
 - Establishing that members of the key board committees are all independent
 - Nedgroup Investments Core will generally vote against a proposal that the Chief Executive Officer move into the position of chairperson following his/her retirement, unless our assessment is that it is in the best interests of the company.

Board composition

- Nedgroup Investments Core will generally vote in favour of boards that are comprised of a majority of independents (the principles of independence outlined above are applicable here).
- Nedgroup Investments Core will generally vote against board structures and director nominations that will permit a concentration of power to vest in the hands of a small quorum of directors.
- Nedgroup Investments Core will generally vote for board committees that reflect a level of diversity in terms of skills, race and gender representative of the social transformation agenda of the country.

Election of directors

- Nedgroup Investments Core is of the view that individual directors must commit an appropriate amount of time to board-related matters and, where appointed, to relevant board committees. Nedgroup Investments Core, given the circumstances, will decide on the appropriate limit to the number of board positions held by a particular director given their specific circumstances in order to ensure that the individual is able to satisfactorily fulfil their duties to each particular company.
- Nedgroup Investments Core will not support a full-time executive director of a JSE-listed company holding more than one non-executive directorship (excluding directorships of subsidiary companies).
- Votes on director nominees are made on a case-by-case basis after examining:
 - the composition of the board and key board committees
 - qualifications and experience of the directors
 - suitability for participation in board committees
 - attendance and participation at meetings, in the case of re-elections
 - the corporate governance framework of the board
 - the overall demographic composition of the board
 - any other relevant factor pertaining to the nominee.
- Nedgroup Investments Core will vote against nominations where:
 - a director has attended less than 75% of board and committee meetings unless there are good reasons for this
 - nominees have implemented or renewed any “poison pill” provisions
 - Nedgroup Investments Core will not support the nomination of non-independent non-executive directors to the Audit committee,
 - the majority of the Remuneration and Nomination committee is comprised of non-independent directors.
- Nedgroup Investments Core will vote against nominations which will cause the board to have only a minority of independent directors.
- Nedgroup Investments Core will not support directors and boards who have:
 - enacted or sanctioned poor corporate governance practices or policies; and/or
 - failed to replace management where appropriate, including poorly performing managers.
- Nedgroup Investments Core will vote against proposals that provide that only continuing directors may nominate replacements to fill board positions. Shareholders must elect replacements for vacant board positions.





- Nedgroup Investments Core will vote against proposals for the nomination of directors where there is insufficient information to enable shareholders to make an informed decision. Proposals for nominations of directors should include information concerning:
 - experience
 - qualifications
 - other fiduciary commitments (such as other directorships, trusteeships or curatorships)
 - proposed role on the board,
 - possible conflicts of interest and
 - fulfilment of specific industry compliance requirements.
- Nedgroup Investments Core will vote against resolutions where directors seeking election or re-election are proposed in a single or collective resolution. An individual resolution must exist for each director seeking election or re-election.
- Nedgroup Investments Core will vote against the re-election of any director who has previously failed to comply with the disclosure requirements in respect of JSE listing requirements on share dealings, unless adequately explained.
- Nedgroup Investments Core will vote against the re-election of any director who has dealt in the company securities during a closed period.
- Shareholders are ultimately responsible for electing or removing board members, and it is in their interest that the board is properly constituted.
- Nedgroup Investments Core will thus support changes to Memorandums of Incorporation which ensures that both Executive and Non-executive directors retire by rotation.
- Before re-electing an independent non-executive director, who has served more than 9 years, Nedgroup Investments will engage in writing with the board requesting access to the annual assessment undertaken on said director where this assessment is not adequately disclosed with sufficient detail.
- Nedgroup Investments will vote against the re-election of the above in the event of inadequate response from the board or where the assessment lacks sufficient substance to support the assessment of independence.
- Where a CEO returns to the board as Chairman within three (3) years of stepping down as CEO, Nedgroup Investment will condone this appointment notwithstanding that it contravenes King IV, provided that: (i) the Chairman designate is considered to “add value” to the firm and has a track record of such, and (ii) Nedgroup Investment’s assessment of the incumbent non-executive Lead Independent is favourable.

Board size

Nedgroup Investments Core will vote for proposals that fix the board at an appropriate size given the size and complexity of the company.

Board responsibilities, function, and performance

- Nedgroup Investments Core supports companies where the boards have a formalised and systematic process of assessing and evaluating the performance of the board, its committees and of individual directors. Consequently, Nedgroup Investments Core will vote in favour of proposals to structure board committees with specific terms of reference and identified responsibilities.
- The responsibilities and levels of performance by board members must be disclosed to shareholders ahead of annual general meetings and absent such disclosure, Nedgroup Investments Core will vote against director elections where such disclosures do not occur or where the assessment framework is considered inadequate.

Directors and officer indemnification and liability protection

- Nedgroup Investments Core will vote against proposals to entirely eliminate directors’ and officers’ liability for damages for violating a duty of care.
- Nedgroup Investments Core will generally vote against proposals that extend indemnification for directors for acts such as gross negligence, fraud and breaches of fiduciary duties.





Remuneration of directors

General principles

- Nedgroup Investments Core expects the board to maintain a Remuneration committee that is responsible for the direction and oversight of the company's executive remuneration programme and for regularly evaluating the performance of senior management. In order to be effective and avoid conflicts of interest, the majority of members need to be independent with company executives attending by invitation as required. Directors who are chief executive officers of other companies should not sit on the committee. Members of this committee should not be nominated or selected by management.
- Remuneration of executives and senior management should be guided by a remuneration policy which should be tabled for a non-binding shareholder vote on an annual basis.
- Remuneration paid to each executive director and non-executive director must be fully disclosed. Such disclosure should include details of base pay, bonuses, share-based payments, granting of options or rights, restraint payments and all other benefits. Disclosure of the maximum and expected potential dilution that may result from incentive awards granted in the current year is also required. In addition, this information must also be disclosed for the three most highly paid employees who are not directors in the company.

Remuneration policy

- Director remuneration should be sufficient and appropriate to incentivise and retain excellence on the boards of companies Nedgroup Investments Core invests in. Remuneration should be structured to ensure the creation of value for the company and shareholders over the long term. While it is difficult to define set remuneration parameters Nedgroup Investments Core will make use of comparative peer analysis to gauge the appropriateness of remuneration packages.
- Executive remuneration must enjoy independent and objective oversight. Consequently, all members of the Remuneration committee must be non-executive directors and the majority of the members as well as the chairperson must be independent non-executive directors. Executives may attend on invitation but must excuse themselves when their remuneration is under consideration. Contrary proposals from issuers will not be supported.
- Where a company releases an executive director to serve as a non-executive director in another company, the remuneration report (or such other disclosure to shareholders where a report is not produced) must state whether the director is permitted to retain any remuneration, including share options.

Base pay and bonuses

Executive remuneration

- The majority of executive remuneration should be "at risk" and be linked to both business targets as a whole, and the performance targets of the executive concerned.
- The personal performance targets for executives must include a combination of financial and non-financial targets.
- Business performance objectives may be benchmarked against industry and appropriate competitor performance, as well as fixed or absolute targets; the reasons for setting such targets should be disclosed to shareholders.
- Nedgroup Investments Core will not consider supporting a short-term incentive scheme where the maximum incentive is uncapped unless a clear motivation and full disclosure on the performance requirement is presented in the remuneration report. Upper limits of such schemes should be capped as a percentage of basic remuneration.

Non-executive remuneration

- Non-executive remuneration should be merit based, determined by the issuer according to performance standards, and each director should therefore receive an appropriate rate that may be different from other non-executive directors. Remuneration should be directly linked to the time, commitment and expertise of the non-executive director. Nedgroup Investments Core will not typically enquire into the reasonability of the performance standards or the reasons for the differentials but will require confirmation regarding measurements that are defined and objectively based.





- Fees for non-executive directors should be proposed to shareholders for their approval on an annual basis. Explanations for the resolutions provided in the notice of the meeting should clearly indicate the quantum of fees proposed for the chairman, the deputy chairman, lead independent director, the chairman of the board committees, members of the committees and directors.
- Nedgroup Investments Core will support non-executive directors being paid an attendance fee and will support individual director's fees reflecting attendance levels, as well as participation on board committees.
- Share options for non-executives will not be supported as Nedgroup Investments Core is of the view that it compromises their independence.

Nedgroup Investments Core will, however, support a proposal where a portion of director fees is paid in shares, subject to vesting conditions.

- In exceptional circumstances, and only once alternate strategies have been explored and rejected, Nedgroup Investments Core will consider a one-off share option grant to non-executive directors as a specific empowerment strategy and for justifiable commercial reasons, subject to the following:
 - full disclosure of quantum, strike price, time of issue and assumptions on valuation.
 - the grant is linked to business and personal performance targets.
 - the grant has a vesting period of at least three years.
 - the grant is made at market or mid-market price with no discounting.
 - The scheme rules require the non-executive director to retain the options for one year after termination of the director's contract.
 - The board is sufficiently independent (by number of people) after issuing the shares to non-executive BEE candidates.

Employment contracts, severance, and retirement benefits

- Exit provisions must be monitored to ensure the absence of provisions such as "poison pills" or inappropriately generous "golden parachutes".
- Specifically, there should be no waiver of financial performance targets should there be a change in control of the company or where subsisting options and awards are "rolled over" in the event of a capital restructuring and/or early termination of a participant's employment – short-term and long-term incentives may, however, be paid on a pro rata basis.
- Pension entitlements often represent a significant and costly item of director remuneration. A company should make informative disclosures identifying incremental value accruing to pension scheme participation, or from any other superannuation arrangements, relating to service during the year in question. This should include the cost to the company, the extent to which liabilities are funded, and aggregate outstanding unfunded liabilities.

Share-based and other long-term incentives

- Nedgroup Investments Core will generally not support repricing or "surrender and re-grant" of underwater share options.
- Nedgroup Investments Core will not support share option schemes where the vesting periods are less than three years, and the directors have unrestricted discretion with regards the shortening of vesting periods. Vesting periods may only be shortened in respect of retirement, retrenchment, death or change of control of the company. In the event that the share scheme rules do not provide for a limit on the director discretion, this must be confirmed in writing by the issuing company.
- Nedgroup Investments Core will not support options and grants issued at a discount to the market price – pricing should be set at the market price.
- Nedgroup Investments Core will generally not support share grants priced at a discount to net asset value per share.
- Nedgroup Investments Core will only support proposals where the quantum, strike price, time of issue and assumptions regarding valuation of options and grants have been disclosed.





- The potential dilution of shareholder funds or equity should be limited and the maximum possible dilution (i.e. face value) should be disclosed.
- The group aggregated dilution from a new issue of shares should be limited to 10% of issued share capital in any rolling ten-year period (as adjusted for scrip/bonus and rights issues).
- Nedgroup Investments Core discourages the use of derivative instruments by option participants prior to end of the vesting period.

Remuneration disclosure

- Nedgroup Investments Core supports companies that enhance their disclosure. In line with best practice, remuneration disclosure should contain details on the following:
 - disclosure of directors' interests, including a director who has resigned during the reporting period;
 - disclosure of individual directors' remuneration and benefits, including those of any director who has resigned during the reporting period;
 - disclosure of the existence and details of a company's clawback policy;
 - basic salary, bonuses and performance – related payments and sums paid by way of expense allowance
 - charts comprising company performance and CEO pay;
 - any other material benefits received, with an explanation as to what this includes;
 - contributions paid under any pension scheme;
 - any commission, gain or profit-sharing arrangements;
 - detail regarding share options including assumptions made in calculations;
 - detail regarding remuneration consultants and fees paid;
 - composition of the Remuneration committee; and
 - a statement in relation to votes cast in relation to remuneration at the last AGM. This statement should include reasons for substantial votes against and actions taken in response.

Financial reporting

- All financial reporting by a company must be prepared in accordance with the International Financial Reporting Standards.
- The board of a company must present a balanced and understandable view of the company's financial position and the company's ability to continue as a going concern. If there are concerns about the company's status as a going concern, the board must provide reasons for this as well as the steps that are being taken to remedy the situation.
- A company's annual report must contain a statement from the board outlining their responsibility for preparing the accounts and a statement from the company's auditors concerning their reporting responsibilities.
- Where non-financial aspects of reporting have been subject to external valuation or review, this fact must be stated and details provided in the company's annual report.
- Companies should make every effort to ensure that information is distributed to stakeholders via a broad range of communication media and that such information is disseminated to all stakeholders simultaneously, where possible.
- Nedgroup Investments Core will vote for proposals to approve financial or directors' reports only if the reports are available to all shareholders before the shareholders' meeting.
- Nedgroup Investments Core will vote in favour of a resolution to approve the annual financial statements of a company where it considers the annual financial statements to be a fair reflection of the company's financial position for the period. In considering its vote, Nedgroup Investments Core will assess whether there has been an audit qualification for the period and whether there has been any material omission of information.
- Should Nedgroup Investments Core not approve the annual financial statements of a company for whatever reason, it will provide an explanatory note outlining its rationale for declining to approve the annual financial statements.





Audit committee

General principles

- The board should establish an Audit committee of at least three members or, in the case of smaller companies, two members, all of whom should be independent directors. The board should satisfy itself that at least one member of the Audit committee has recent and relevant financial experience.
- The Audit committee should be established with formal and transparent arrangements for considering how they should apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the company's auditors. A company should not allow the same individual to serve as an audit partner for a period of more than five financial years.
- The Audit committee should have written Terms of Reference dealing adequately with its membership, authority, duties, roles, responsibilities and legislated requirements.
- The chairperson of the Audit committee should not be the chairperson of a company's board. The committee chairperson should be knowledgeable about the status and requirements of the role, and must have the requisite business, financial and leadership skills, and should be a good communicator.
- The membership and appointment process of the Audit committee should be disclosed in a company's annual report, and must indicate whether or not the Audit committee has complied with its Terms of Reference and the manner in which it did so, and shareholders should be able to obtain a copy of the current Terms of Reference of the company's Audit committee.
- The Audit committee should review arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.
- The Audit committee's objective should be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

Membership and appointment

- Nedgroup Investments Core will vote for proposals to create Audit committees in which all of the members are independent.
- Nedgroup Investments Core will vote against individual directors who are not independent and sit on the Audit committee.

Auditing and non-auditing services

- The Audit committee should have primary responsibility for making a recommendation on the appointment, reappointment and removal of the external auditors. If the board does not accept the Audit committee's recommendation, it should include this in the annual report and in any papers recommending appointment or reappointment, issue a statement from the Audit committee explaining the recommendation, and set out reasons why the board has taken a different position.
- The board of Directors should have an Audit committee that is responsible for oversight of the annual external audit of the company.
- Nedgroup Investments Core will support the rotation of audit firms on a ten-year basis and will vote against resolutions extending the tenure beyond ten years. We may consider extending an auditor's tenure beyond ten years for complex businesses.
- A company's Audit committee should set a code of principles regarding the conditions under which the external audit firm will provide non-audit services.
- There should be separate disclosure in a company's annual financial statements of the amount paid to the external auditors for non-audit services as opposed to audit services.

Property valuers

- Nedgroup Investments Core will encourage the rotation of valuers on a ten-year basis. While we do not vote for the appointment of valuers, we will actively engage with boards in cases where valuers have been in place for periods in excess of ten years.





Proposed empowerment transactions

Principles for broad-based black economic empowerment (BBBEE) transactions

- Nedgroup Investments Core will support proposed BBBEE transactions which have a good investment case
- Nedgroup Investments Core will support BBBEE transactions that create meaningful long-term and on-going BBBEE participation in the company. This will be evaluated on a case-by case basis and will focus on mechanisms employed to ensure long-term sustainability of the BBBEE arrangement. Such mechanisms could include but are not limited to minimum lock-in arrangements, limitation on selling of BBBEE equity etc. As a minimum Nedgroup Investments Core is supportive of BBBEE transactions that have a minimum of a seven-year lock-in, with further requirements that sale of equity can only be undertaken to suitably qualified BBBEE parties.
- Nedgroup Investments Core recognises that BBBEE is an important social and business imperative and that BBBEE transactions are important to the success of the companies in which Nedgroup Investments Core invests. Nedgroup Investments Core has a duty to its clients to act in their best interests in evaluating such transactions.
- Nedgroup Investments Core expects that companies would demonstrate the benefits of such a transaction and calculate and disclose the economic implications thereof and impact on key financial metrics.
- Any economic cost will include the cost of any discount to the market price of shares issued or sold to the BBBEE parties and/or the effective cost of any funding or option arrangement. Such economic cost should be calculated using generally accepted financial or option valuation methodologies applicable to the situation. Nedgroup Investments Core will consider whether such costs are fair in relation to the expected benefits and fair in relation to norms in the marketplace.
- The structuring and designing of the BBBEE scheme and selection of participants in such a transaction remain the prerogative of a company's management. Full and detailed disclosure by a company needs to be provided on all relevant terms of the BBBEE deal. Nedgroup Investments Core expects management to clearly justify the structure and composition of the BBBEE deal.
- Nedgroup Investments Core favours BBBEE transactions that are sustainable, including those that are reasonably expected to result in a high probability of value realisation for empowerment partners.
- To the extent that a BBBEE transaction is put in place partly to meet BBBEE legislation (such as the Department of Trade and Industry (DTI) codes), or to meet the requirements of an industry charter, we would expect the company to obtain the necessary sign off, advice (legal or otherwise) and/or evidence that the transaction complies with such legislation or charter; and that such sign-off, advice and/or evidence be disclosed to shareholders. A transaction which does not meet legislative or charter requirements, or where insufficient comfort is provided to shareholders that it does meet such legislative or charter requirements, is likely to be rejected in the absence of other strong reasons, which must be motivated by the company.
- Such legislation or charter may have certain ownership targets in the future, and therefore Nedgroup Investments Core would need to gain comfort on the extent to which the transaction meets both current and future requirements.

Principles applying to BBBEE constituents in transaction consortia

Each component constituent in a consortium that is introduced should be justified on a cost benefit basis on its own merits. Nedgroup Investments Core favours the composition of a consortium that would add the most value and the least cost to the company concerned. The choice of the constituents and the evaluation of which will add the most value to the company, is the responsibility of management, who will be required to justify their choice in the context of the company. We therefore do not support fronting.

- Subject to the above, all things being equal, Nedgroup Investments Core favours BBBEE transactions that are as broad based as possible, and therefore will generally support proposals where staff, customers, communities and other stakeholders are included in the transaction deal. We would classify a transaction as broad based if more than 70% of the shares acquired are for the benefit of a broad base of constituents.
- In so far as any component in a BBBEE transaction is not broad based and there is a cost to the company with regard to the transaction, Nedgroup Investments Core would expect such empowerment partners to provide a capital commitment upfront that is material in the context of the BBBEE deal and the empowerment partner's financial position. Nedgroup Investments Core also expects that such partners have suitable performance conditions towards





the company and suitable arrangements, including lock-ins and restrictions around competing ownership. Nedgroup Investments Core does not expect a capital commitment for the broad-based elements of the transaction. It is therefore possible that some components of the transaction will provide an upfront commitment whereas other components will not.

- As a corollary to the third point above, where a component is not broad based, but there is no cost to the company as a result of the transaction (i.e. where historically disadvantaged individuals have acquired shares in the market or from the company at full price, and there is no recourse at all to the company), then Nedgroup Investments Core would not expect such further conditions as outlined in the third point above to be imposed.

Unissued shares under the control of directors

Principles applying to unissued shares under the control of directors

Where a company's unissued shares are placed by a shareholder resolution under the control of the directors of the company, it opens the possibility of the directors abusing their authority by issuing the company's shares in a partisan manner.

Guidance on unissued shares under the control of directors

Nedgroup Investments Core will vote in favour of a resolution that enables the directors to control a portion of the unissued shares, or other voting instruments as defined in terms of relevant legislation, in the share capital of a company that corresponds to a maximum of 5% of the issued shares and/or other voting instruments in the share capital of the company, cumulatively in any financial year. Nedgroup Investments Core considers a maximum threshold of 5% as acceptable to protect its clients' interests and to allow the company sufficient flexibility in executing its strategy with respect to the share capital of the company. Nedgroup Investments Core, in making the above determination, does not distinguish between issued share capital exchanged for cash or for shares in another company as the dilutionary effect is equivalent.

Should a company propose a resolution which places more than 5% of the unissued shares under the control or discretion of its directors but:

- subjects those shares to existing shareholders' pre-emptive rights and to a maximum of 10% , or
- the company has provided a full and reasonable explanation for the necessity of such a resolution, Nedgroup Investments Core may vote in favour of such a resolution.

Shareholder matters relating to capital management

Dividend policy

Should a company in which Nedgroup Investments Core has invested declare a dividend, Nedgroup Investments Core will investigate the rationale behind the declaration as well as analyse the effect such dividend, if paid to shareholders, may have on the capital structure and liquidity status of a company.

Thus, Nedgroup Investments Core will consider the reasons given by a company for the declaration of a dividend and determine its voting position given the circumstances.

Capitalisation issues

Nedgroup Investments Core will consider the share capital structure before and after such an issue, and form a view as to whether or not it is in favour of such an issue, given the circumstances and possible alternatives that may be available to its clients – for example, the issuing of dividends.

Odd-lot offers

Nedgroup Investments Core will support proposals by a company to "mop up" smaller and odd number shareholdings if it results in a lower administrative burden and expense for the company, and provided that the company has the requisite authority to conduct such offers and such offers are at least at market prices.





Share splits and consolidations

Nedgroup Investments Core will consider a company's proposal to split or consolidate its share capital, given the circumstances.

Reduction in capital

Nedgroup Investments Core will consider a company's proposal to reduce its share capital given the circumstances and provided that a company has the requisite authority to do so and, furthermore, that subsequent to such a reduction, all legislative and regulatory requirements are met by the company.

Issuing shares for cash

Nedgroup Investments Core is cognisant of the JSE Listings Requirements, which place a restriction on issuing shares for cash up to a maximum of 15% of issued share capital. However, Nedgroup Investments Core is of the view that a maximum restriction of 5% is more acceptable to its clients, given the circumstances under which a proposal to issue shares for cash is made. In the event shares are offered at a discount, a small discount of $\pm 5\%$ to 30-day VWAP is considered acceptable.

Preferential voting rights/dual capitalisation

Nedgroup Investments Core does not support the introduction of preferential voting rights/dual capitalisations with regard to a company's share capital. However, should a company have such structures in place, then Nedgroup Investments Core will form a view regarding the different classes of shares when deciding to exercise a vote in relation to those shares which it holds on behalf of its clients.

Provision of financial support in terms of section 45 of the new companies act

Nedgroup Investments Core will review each resolution for financial assistance on a case-by-case basis. Nedgroup Investments Core will support resolutions for financial assistance as defined under section 45 of the companies Act of 2008 where such resolutions are worded in a manner that does not provide blanket powers to the directors, are limited in terms of scope of application, and the form, nature and extent of such financial assistance are clearly defined.

Share repurchases

Nedgroup Investments Core is of the view that share repurchases are an efficient and effective means of returning cash to shareholders and will generally, on behalf of its clients, vote in favour of such proposals by a company, provided that:

- a company has the requisite authority in its memorandum of incorporation to repurchase its shares;
- both before, during and after the share repurchase exercise, a company remains both liquid and solvent, the exercise does not result in a material change to a company's share rating and a company has complied with all other legislative requirements relating to the share repurchase;
- the share repurchase exercise is not used as a means to frustrate or enforce corporate actions or will not result in prejudice to different classes of shareholders;
- a reasonable percentage of the issued shares of a company are subject to the repurchase proposal;
- the share repurchase proposal is used to achieve goals that add value to a company and these goals are specifically stated and explained by a company in its proposal; and
- the share repurchase proposal is in Nedgroup Investments Core clients' best interests.

When a company considers repurchasing its shares, all its shareholders must be given an equal chance to tender their shares, and any mandatory repurchase must apply equally to all classes of shares.

Changes to memorandum of incorporation

Introduction of new share classes

- Nedgroup Investments Core, in considering whether or not to vote in favour of a resolution of a company which proposes splitting a company's share capital into different classes (which classes carry different voting rights and/or dividend rights), will in each circumstance determine if such a split will be in its clients' best interests.





- Nedgroup Investments Core will furthermore assess a company's commercial reasons for proposing such a resolution.

Changes in board composition

- Nedgroup Investments Core recognises that a company's proposal to amend its memorandum of incorporation to change the composition of its board may be necessary for any number of commercial reasons and will consider whether such an amendment will be in its clients' best interests given the circumstances.
- Nedgroup Investments Core will also consider the appropriateness of such an amendment in light of both South African and international codes of best practice and its internal corporate governance policy.
- Nedgroup Investments Core will not support changes to memorandum of incorporations that explicitly state that only non-executive directors should retire by rotation.

Directors' indemnification

Nedgroup Investments Core will assess the wording of such resolutions that amend a company's memorandum of incorporation with particular reference to the following:

- whether the proposed indemnity is necessary or appropriate in the circumstances;
- the extent of liability of the persons covered by the proposed indemnity;
- the number of directors, officers or other persons covered by the proposed indemnity;
- the cost to the company of the proposed indemnity;
- the maximum amount by which each person is and by which all persons are covered by the proposed indemnity;
- whether a company itself grants the proposed indemnity or whether a company is considering entering into an agreement with a third- party insurer to provide the proposed indemnity; and
- any other relevant factors.

Borrowing powers of directors

- Nedgroup Investments Core accepts the view that a company may be required to finance its commercial endeavours via debt financing, and that its memorandum of incorporation may place a restriction on the borrowing powers of directors in order to ensure that such financing is achieved in a prudent manner.
- In each case where a proposal is made to amend a company's memorandum of incorporation with regard to the borrowing powers of directors, Nedgroup Investments Core will assess the circumstances under which such proposal is made and the current level of directors' borrowing powers to ensure that a company does not allow reckless borrowing that may place itself in illiquid or insolvent circumstances.

Political donations

Nedgroup Investments Core respects the right of companies to engage with government on policy and other related issues. Where companies make donations to government, intermediaries, or trade organisations this must be undertaken in line with local legislation, which in some cases may require shareholder consent by way of an ordinary majority. Notwithstanding this where companies make donations or contributions of a political nature, they should be disclosed and each one fully explained in the annual report including information on the types of organisations supported and the business rationale for supporting these organisations.

