Proxy Voting Policy

June 2023

STANLIB

Content

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 every proxy as custodians of our client'. Our analysts, in consultation with the Head of Investments and Heads of Franchise(s) 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 Franchise where name is owned will approve voting in line with the analyst's recommendation. If there are controversial issues without a precedent, the Head of Investments and the Head of Franchise 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.

If 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 composition of the board should be diverse in terms of gender, ethnicity and skills.
   - 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 process.
   - 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 committee include only independent non-executive directors.
   - The Remuneration and Nomination committees include a majority of 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.
     - To safeguard non-executive director independence, we now have a maximum tenure of 10 years to define independence.

- If a board in not deemed independent by STANLIB's we reserve the right to vote against the re-election of any director with a tenure exceeding 10 years.

4. Remuneration

We encourage and expect management to show a commitment to stewardship of the company and act and behave as owners. To align rewards of management for execution of company strategy and enabling company performance with shareholder value creation.

Principle 14, King IV Corporate Governance: The governing body should ensure that the organisation remunerates **fairly, responsibly, sustainable** and **transparently**, so as **to promote the achievement of strategic objectives** and positive outcomes in **the short, medium and long term**.

- Remuneration reports must be transparent on policy, targets set, implementation and measurement.
- Remuneration policies should clearly articulate how and for what executives will be rewarded and by how much.
- There must be a clear linkage between reward and performance delivered. There must be proof of targets achieved in the context of company strategy.
- The difference in remuneration between those at the top and the general workforce together with the gender pay gap should be constantly evaluated and addressed. Actions to be taken if required should be articulated.
- Performance targets should align to strategic goals and should have sufficient stretch goals.

At STANLIB we have the following guiding principles regarding remuneration;

- Is it fair and responsible? Does it consider absolute levels and relative levels of compensation? Does it consider gender equality and pay gaps between executives and workforce.
- Is it sustainable in the short, medium and long term? Does it take a through the cycle approach or is it reactive to short term impacts on the business and its macro environment.
- Is the reporting transparent?
- Is it aligned to strategy and positive outcomes that drive shareholder value creation in the long term?
- Is it sustainable? Does it consider non-financial metrics? Does it incorporate ESG metrics?
- Is it easy to understand with limited KPIs or is it overly complex with risk of unintended consequences?
  - We want to know what the KPIs are for the year ahead. With no retroactive changes.
  - We want to know what management achieved and what the reward was for the achievement.
  - We want remuneration that rewards over the long term. The big reward must be back end loaded to ensure performance in line with long term strategy.
- Share based incentive schemes should be long term focused. Short term volatility **should not** be seen as opportunity to reset, cancel or introduce new schemes that could lead to enrichment and misalignment with long term shareholders that retain shares through the cycle.
- The role of Remuneration committee must be clearly defined and discretion to amend remuneration and KPIs disclosed.

Specific guidelines:

- Remuneration Policy is determined and set by the Remuneration committee which may use external consultants to advise on remuneration. Once KPIs are set discretion to change outcomes should be discouraged.
- Quantum of remuneration must correspond to the scale, complexity, expertise required to lead the organisation and be mindful of gap between the executive and workforce remuneration.
- In the SA context peer group relative KPIs and targets should include domestic, South African and Emerging Markets peers. Developed Market (DM) companies should not be considered as peers. DM may have the potential to unfairly skews remuneration and incentive rewards to much larger multi-national companies which creates misalignment between shareholders and management.

- Executive KPIs should be clearly articulated in the Remuneration Report and align with long-term strategic objectives. Performance scorecards and forward looking KPIs should be disclosed. KPIs cannot be changed in hindsight.
- KPIs should cover short term and long-term remuneration and incentives schemes.
    - The LTIP should not just align executive incentives to shareholder return but award management for outcomes which are within their control and aligned with strategy.
    - LTIPs should have caps.
    - To enable sustainability various non-financial metrics should also be incorporated.
    - Metrics should be company specific but also have reference to well defined peer groups.
    - Profitability, cash flow and Returns (ROI, ROIC) should be addressed.
    - TSR should be only be used together with other return metrics.
    - ESG metrics need to be included.
    - Management shareholding is required to further align management with long term vision and strategy.
    - Malus and clawback provisions must be included in longer term incentive schemes.

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.
    - If an auditor term exceeds 10 years we will vote against the reappointment of the auditor.

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. If we go so far as calling for an EGM, we would canvass other institutional investors regarding our proposed changes in advance.

STANLIB ESG

June 2023

Disclaimer

Collective Investment Schemes in Securities (CIS) are generally medium to long term investments. The value of participatory interests may go down as well as up. Past performance is not necessarily a guide to future performance. CIS are traded at ruling prices and can engage in borrowing and scrip lending.

The manager of the Scheme is STANLIB Collective Investments (RF) (PTY) Ltd (the Manager). The Manager is authorised in terms of the Collective Investment Schemes Control Act, No. 45 of 2002 (CISCA) to administer Collective Investment Schemes (CIS) in Securities. Liberty is a full member of the Association for Savings and Investments of South Africa (ASISA). The Manager is a member of the Liberty Group of Companies. The manager has a right to close a portfolio to new investors in order to manage the portfolio more efficiently in accordance with its mandate. A schedule of fees and charges and maximum commissions is available on request the Manager. The Manager does not provide any guarantee either with respect to the capital or the return of a CIS portfolio. Forward pricing is used.

Portfolio performance figures are calculated for the relevant class of the portfolio, for a lump sum investment, on a NAV-NAV basis, with income reinvested on the ex-dividend date. Individual investor performance may differ due to initial fees, actual investment date, date of reinvestment of income and dividend withholding tax. Any forecasts or commentary included in this document are not guaranteed to occur. Annualised return figures are the compound annualised growth rate (CAGR) calculated from the cumulative return for the period being measured. These annualised returns provide an indication of the annual return achieved over the period had an investment been held for the entire period.

Exchange Traded Funds (ETFs) are registered Collective Investment Schemes, listed on an exchange and may therefore incur additional costs. Participatory interests in a CIS-ETF cannot be purchased directly from the Manager. A CIS-ETF is subject to exchange listing requirements and settlement cycles for equities and all trading in a CIS-ETF is through an exchange. It may take a few days longer to receive the proceeds of a sale of a CIS-ETF than would be the case for a CIS. Trading in ETFs will incur the normal costs associated with listed securities, including brokerage, settlement costs, Uncertified Securities Tax (UST), other statutory costs and administrative costs. The price at which ETFs trade on an Exchange may differ from the Net Asset Value price published at the close of the trading day, because of intra-day price movements in the value of the constituent basket of securities.

A fund of funds is a portfolio that invests in portfolios of collective investment schemes, that levy their own charges, which could result in a higher fee structure for these portfolios

A Feeder Fund portfolio is a portfolio that invests in a single portfolio of a collective investment scheme that levies its own charges, which could result in a higher fee structure for the Feeder Fund.

A money market portfolio is not a bank deposit account. The price of each participatory interest (unit) is aimed at a constant value. The total return to the investor is primarily made up of interest received but, may also include any gain or loss made on any particular instrument. In most cases this will merely have the effect of increasing or decreasing the daily yield, but in an extreme case it can have the effect of reducing the capital value of the portfolio. . An annualised seven day rolling average effective yield is calculated for Money Market Portfolios. Excessive withdrawals from the portfolio may place the portfolio under liquidity pressures; and that in such circumstances a process of ring-fencing of withdrawal instructions and managed pay-outs over time may be followed.

A portfolio that derives its income primarily from interest-bearing instruments calculates its yield daily and is a current effective yield.

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