



## VOTING GUIDELINES

### INTRODUCTION

Active Shareholder (Active) supports a responsible investment strategy which acknowledges the responsibility of shareholders as owners of companies. This recognises that the long-term success of companies requires a balance in the needs of the company, the workers, shareholders, and society in general including the environment.

The Active Shareholder voting guidelines set out the framework for analysing common resolutions put forward at shareholder meetings. The guidelines are informed by the broad mission of Active Shareholder's client organisations, the development of a more people centred society, a society that respects people, their culture and the environment. Our client organisations do not just invest for financial gain; social and ethical factors are as important to their investment decisions.

We share their belief that long-term business success depends on the integration of social, cultural, environmental and financial considerations in reaching business decisions.



Issue	Commentary	Policy
<p><b>Presentation of the Annual Financial Statements (AFSs)</b></p>	<p>Although it is not a legal requirement in South Africa that the AFSs be presented to the shareholders for acceptance, Active considers this to be best practice.</p>	
<p><b>Presentation of the Social and Ethics Report</b></p>	<p>Active considers the presentation of the Social and Ethics Committee Report for acceptance by shareholders to be best practice.</p> <p>The unemployment rate in South Africa is at unacceptable levels and further social unrest is inevitable – we consider policies to increase local employment to be important.</p> <p>It is critical that society acts now on climate change and Active expects details of companies’ efforts to mitigate climate change and their targets in terms of global commitments.</p>	
<p><b>Election of Directors</b></p>	<p>The election of the board of directors is the most important issue shareholders face. The board sets the tone for the company.</p> <p>Active considers the overall composition of the board and will attempt to balance the issues before considering the appointment of individual directors.</p> <p>The key issues which are considered in assessing the board are: Independence, Continuity, Skills and Diversity.</p>	<p>The board should comprise at least 50% independent non-executive directors.</p> <p>A director’s independence may be compromised due to long service and in general a director will be considered to be no longer independent after 9 years’ service.</p> <p>In general, former executives will not be considered to be sufficiently independent.</p> <p>A Lead Independent Director must be appointed if the Chairman is not considered independent.</p>



	<p>Active follows the King Committee recommendations regarding independence and board tenure.</p> <p>It is desirable for the board to have continuity and for the company not to retain institutional knowledge. This need should be balanced with the need to introduce fresh ideas and knowledge.</p>	<p>We favour Non-Executive Directors holding shares in a company, however should those shares be material to the wealth of the director, this may impair their independence.</p> <p>A director whose sole source of income is their director's fees cannot be considered independent.</p> <p>A director will not be considered independent if they earn material consulting fees from the company.</p> <p>We favour a planned and gradual retirement and replacement of directors to create an appropriate mix of longer serving and newer directors. This ensures continuity now and in the future.</p> <p>A board should have an appropriate mix of skills dependent on the business of the company. We do not favour too many directors with the same skills and qualifications.</p> <p>It is appropriate that a board have a mix of directors based on gender, ethnicity and age. In considering board diversity we do consider the main business of the company and are cognisant of the need to redress the imbalances of the past.</p> <p>The chairman of the board should not hold directorships of other listed companies and board members should not be directors of more than 4 listed companies.</p> <p>We do not support directors with a poor attendance record at board or committee meetings.</p> <p>The reappointment to the board of members of the Remuneration Committee will be opposed if the Remuneration advisory Resolutions are not approved for 2 or more consecutive years.</p>
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<b>Election of Members of Audit Committee</b>	<p>The audit committee plays an important role in ensuring the financial reporting is as it should be and provides oversight over financial management and auditors.</p> <p>It provides an important balance to the authority of the board.</p> <p>Active follows the King Committee recommendations as well as the JSE rules.</p>	<p>The audit committee must comprise at least 3 independent non-executive directors.</p> <p>Active will apply the same criteria in assessing members as those applied to the election of directors, but takes a stricter view of independence of the members of this committee.</p> <p>The chairman of the board may not serve on this committee and we do not consider it good practice for the chairman to attend audit committee meetings by standing invitation.</p> <p>The audit committee must include members with relevant financial expertise but we favour the inclusion of directors with different experience.</p> <p>We expect this committee to consider and report properly on the independence and rotation of the external auditors and take a dim view of the independence of the chair of this committee if they fail so to do.</p> <p>The Companies Act requires listed companies to put the election of the audit committee to shareholders, however the Banks Act allows the board of banks to appoint the audit committee. Active considers it best practice for banks to put the audit committee to shareholders for election.</p>
<b>Appointment of the external auditor</b>	<p>Active follows IRBA (Independent Regulatory Board for Auditors) guidelines on auditor rotation. This will require audit firms to be rotated every 10 years with effect from 2023. In addition, the Companies Act requires the audit partner/responsible executive to be rotated every 5 years.</p>	<p>Active will not support the reappointment of audit firms after 10 years' service unless there is a compelling argument otherwise.</p> <p>Auditors are required to report their tenure in that capacity of any company.</p> <p>The tenure of the audit partner and the name of the audit partner for the coming financial year must be provided.</p> <p>Financial institutions are required to appoint two audit firms and we favour the staggering of the rotation of the audit firms.</p>



<p><b>Share re-purchases/ acquisition of own shares</b></p>	<p>Share re-purchases in the market treat shareholders unequally. Cash is received by some shareholders, and not by others. In order to get cash, a shareholder has to sell shares. The executives benefit however from an increase in the value of their share options.</p>	<p>Share re-purchases in the market will, in general be opposed. The alternatives, to pay dividends or mount a general pro-rata re-purchase from all shareholders, will be preferred.</p>
<p><b>Placing unissued shares under the control of the directors</b></p>	<p>Directors should have the power to issue shares for various legitimate reasons, at market price, but this power should be limited and should not be vague and general.</p>	<p>Placing unissued shares under the control of the board will be opposed unless the resolution specifies the number of shares, the share price, the reason for or circumstances under which directors may issue shares and when such control shall expire.</p>
<p><b>Non-executive directors' remuneration</b></p>	<p>Non-Executive Directors are rightly paid fees for their efforts. These fees generally take the form of a base fee plus committee fees. The Chairman is paid a flat fee regardless of which committees he/she serves on.</p>	<p>Non-executive pay will be opposed on the grounds of: excessive amount; increases that are not in line with results or inflation and/or company results; policies that are not clear and transparent and which include a component of pay linked to attendance at meetings or some other appropriate performance measure.</p>
<p><b>Executive remuneration</b></p>	<p>South Africa is one of the most unequal societies in a world that is becoming increasingly unequal. Social stability and justice demand a more equitable distribution of resources. It is desirable that companies disclose the internal wage gap.</p>	<p>It is proper that executive pay should include base pay and both short-term and long-term incentives. Criteria and targets for such incentives should be clear and unambiguous, should take into account market and currency fluctuations, must be in line with company performance and must include an appropriate level of reward for ESG (Environmental, Social and Governance) targets. Deferred and long-term incentives should be subject to performance conditions and unvested shares should in general</p>



		<p>not enjoy the benefits of dividends and voting rights until such time as those shares vest.</p> <p>Discretionary bonuses are not desirable.</p> <p>Executive pay will be opposed on the grounds of: excessive amount; increases over a period that are not in line with inflation and/or the company results; policies that are not clear and transparent; criteria and rewards that are too general or vague.</p>
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