

Proxy Voting Policy

The King IV Code on corporate governance strongly recommends that shareholders become actively involved in the way companies are governed. Shareholders have the power through voting rights to influence the management of a company. Actively exercising these rights through active ownership activities is an effective way of enhancing portfolio value.

As responsible investor and fiduciary we are obliged also to exercise our clients' voting rights in their best interest. This is achieved by our dedicated uniform and transparent Proxy Voting Guidelines.

Proxy Statements

The attributes that our proxy voting guidelines aim to promote are long-term value creation, accountability of management to investors, stakeholders and the regulators, and financial, social and environment sustainable companies.

Sesfikile Capital examines each resolution offered and the context in which it applies. We therefore do not automatically vote in favour of proposed resolutions and there may be rare instances in which clients' shares may not be voted in strict adherence to these guidelines. We will also not vote in strict accordance with these guidelines if we receive specific instructions to the contrary from our clients.

On occasions, new issues may arise which are not covered by these guidelines. In such cases we will evaluate these proposals against the spirit of good corporate governance as outlined in King IV, the Companies Act of 2008 and best international practice.

We engage with investee companies on matters of responsible business practices. This is appropriate and aligned with our objective of ensuring long-term sustainability for our clients and society. We believe in collaboration with investee companies by engaging with management to encourage companies to think about their approach to ESG issues, with the purpose of improving overall sustainability of companies.

Sesfikile Capital is adamant that decisions and dates for decisions should be adhered to and the timeframes should be sufficient for Sesfikile Capital to apply a fiduciary standard to the consideration of the decision at hand.

3. Proxy Voting Guidelines

3.1 Board of Directors

The Board of directors is responsible for the overall governance of the company. The Board represents all stakeholders, including but not limited to shareholders and employees. The Board will delegate certain of its functions to a management team to ensure the companies long term success. It must be noted that the Board retains the overall responsibility over management and have a duty to monitor management performance. The Board's key functions are to determine the company's strategy, implement its values; ensure that practices and procedures are in place to protect its assets and reputation; evaluate strategy and policy implementation; monitor performance and business plans and lastly identify key risk areas and ensure the effective management of these.

3.2 Composition and Independence of the Board of Directors

The most prevalent board structures are the unitary board structure composed of both executive and non-executive directors, and the two-tier board structure comprising an executive management board as well as a non-executive supervisory board.

One of the most fundamental sources of good governance is independence. Accordingly, the Board should comprise a balance of executive and non-executive directors, with a majority of non-executive directors, of whom a sufficient number should be independent of management so that shareowner interests (including minority interests) can be protected.

An independent director, in our view, essentially is a director with no significant ties to the company, such as a major client, customer, supplier or shareholder or has not worked recently for the company. The cooling-off period for former executives of the company, its affiliates, predecessor or acquired entities, general or limited partner of a joint venture or partnership, or relative of such former executive is normally three years.

We will generally support shareholder proposals that request the Board to be comprised of a majority of independent directors.

3.3 Independence of the Chairperson

It is good corporate governance practice that a director who is both independent and non-executive holds the position of Chairperson. It is highly preferable that the same person does not act as Board chair and CEO to support the concept that the Board will represent the interests of the shareholders, not management. An independent Chairperson is one of the primary mechanisms, which maintains Board independence. Furthermore, this will ensure that no one person has all the authority to make decisions unilaterally. King IV recommends that a chairperson should preferably be an independent non-executive director.

We will generally vote for proposals splitting the position of Chairperson and Chief Executive Officer. We will however normally vote against the appointment of non-independent Chairperson. In cases of smaller companies where the executive office is small, we may acknowledge the need for one person to fill both roles, but this should be the exception rather than the rule. Furthermore, we will vote against the re-election of the chairman in instances where the chairman has held a position for a significant period (greater than 7 years) or was previously the Chief Executive Officer.

3.4 Board size

The number of directors on a Board is important for Board effectiveness. The Board should be large enough to adequately perform its responsibilities without being too large that it becomes cumbersome. Boards should consist of between 5 and 15 directors, depending on the type and size of the company.

We will generally vote on a case by case basis when the number of directors is outside this guideline or on proposals that seek to change the size of the Board.

3.5 Diversity of the Board

King IV recommends that South African companies consider the country's demographics in deciding the composition of the Board and that every Board should consider whether its diversity and demographics makes it effective. We believe that well-governed companies benefit from a wide diversity of perspective and background on their Boards. We will therefore

encourage efforts to increase the diversity of Boards.

We will generally vote to support demographic alignment in Board nominees if the Board does not include persons from previously disadvantaged backgrounds and women thereby not reflecting the country's demographics. We will vote for shareholder proposals that ask the company to take steps to increase its diversity or for proposals asking for reports on Board diversity.

3.6 Committees of the Board

King IV states Board committees are an aid to assist the Board and its directors in discharging their duties and responsibilities.

- Audit Committee - the Audit committee will be responsible for ensuring the accurate accounting and reporting of the company's financial performance, ensuring that adequate internal control measures exist, and overseeing the annual external audit of the company. Members should have relevant experience and the majority should be financially literate.
- Remuneration Committee - the Remuneration committee, consisting entirely or mainly of independent non-executive directors, should make recommendations to the Board within agreed terms of reference on the company's framework of executive remuneration and to decide specific remuneration packages for each of the executive directors. This is ultimately the responsibility of the Board. An independent director must chair this committee. In order to obtain his or her opinion on the remuneration of the other executives, the committee should consult the chief executive officer, who may attend meetings by invitation. However, a chief executive should play no part in decisions regarding his/her own remuneration.
- Nominating Committee - the Nominating committee should identify the Board's need for new or additional directors and skill sets, and then recruit, nominate, and orientate new directors. The committee should also assess the need for certain skills on the Board that may be lacking.
- Risk Committee - King IV states the Risk committee should assist the Board in reviewing the risk management process and the significant risk facing the company.
- Social and Ethics Committee – the Companies Act, 2008 and regulation 43 (2) states that every state-owned company and certain listed public companies is required to have a Social and Ethics Committee. The Ethics committee will report to the board.

The Chair and committee members should all be independent directors.

We will vote for shareholder proposals that request that the Board Audit, Remuneration, Risk, Nominating Social and Ethics committees include independent directors. Sesfikile Capital will support proposals to establish any or all of the above committees. However, should a company not have an independent remuneration committee we will vote against the approval of director emoluments.

3.7 Number of boards where CEO is a Director

A CEO's primary fiduciary responsibility is towards the company that they head. Generally, if they sit on more than two other Boards, it could interfere with their fiduciary responsibilities.

While we will consider each director's appointments separately, we will generally vote against the appointment of a CEO if the individual sits on more than two other Boards.

4. Board effectiveness

4.1 Performance evaluation of directors and Board

King IV recommends that a Board should evaluate its own performance and that of its directors in accordance with the strategic objectives outlined in the corporate strategy of the company.

Sesfikile Capital will support proposals to institute and develop performance evaluations for the Board of directors.

4.2 Annual election of all directors

The annual election of all directors is a necessary part of maintaining accountability to shareholders and is seen as an effective way to ensure that shareholders can make changes in the composition or control of the Board during periods of deteriorating company or Board performance.

Sesfikile Capital will support proposals to elect all Board members annually and to abolish staggered Boards.

5. Directors

5.1 Election of directors

Votes on individual director nominees are made on a case by case basis. Factors that King IV recommends which we consider are:

- Number of other Board positions held by directors. Generally, directors should serve on no more than six Boards.
- The frequency of attendance at meetings. Individual directors should be expected to attend all meetings. A director's continued service should be reviewed if the director does not attend at least 75% of Board meetings without a compelling reason.
- Directors should be individuals of calibre and credibility and have adequate skills and experience at a minimum as required by the Companies Act of 2008.
- There should be a transparent recruiting system for new directors.

When deciding on the election for new directors, we will evaluate them against the criteria mentioned above.

- We will vote against the appointment of directors who have missed 25% or more of meetings.
- Sesfikile Capital will generally vote against the appointment of directors who do not have the necessary skills or experience to fulfil their responsibilities

5.3 Term and age limits for directors

South African best practice suggests that any term beyond 9 years for an independent non-executive director should be subject to a particularly rigorous review by the board. It has been suggested that many governance authorities recommend a limitation on the length of service of a director for two reasons, namely (1) a concern that independent directors may lose their independence and the external viewpoint that they were intended to bring to the board if they remain on the board for an extended period, and a concern that a long-serving directors' contribution and usefulness may wane or become less relevant to the organisations future.

In general, Sesfikile Capital will vote against the reappointment of directors who have served for longer than 9 years. However, this is decided on a case-by-case basis, where factors such as contribution to board is considered.

5.4 Number of Board Meetings

Sesfikile Capital supports proposals requesting companies to have at least four Board meetings a year.

6. Executive remuneration

King IV states that the levels of remuneration should be sufficient to attract, retain and motivate executives of the quality required by the Board. We believe that any remuneration plan should attempt to align the long-term interests of shareholders and employees with the interests of management and directors. Performance related elements of remuneration should form a substantial portion of the total remuneration package of executives. We believe in the philosophy of pay for superior performance in executive compensation plans, whereby annual incentives or bonuses would use defined financial performance criteria benchmarked against a disclosed peer group of companies. In a South African context, achievement of Black Economic Empowerment or transformation goals should also be included in key performance indicators for executives and form a significant portion of the incentivisation package.

We encourage all directors to be shareowners on the same basis as minority shareholders. Executive remuneration packages should be transparent, and shareowners should have the right to vote on any major share option scheme. The remuneration plan should be developed and maintained by the Remuneration committee. We support any proposals requesting companies to disclose their remuneration of their top management.

6.1 Increased disclosure of executive remuneration.

We are generally against proposals where the system of performance measurement and remuneration is not transparent and does not demonstrate how strategic objectives are factored in. We believe that there must be sufficient disclosure to allow shareholders to determine and monitor the pay and performance.

6.2 Performance based remuneration

Executives should be compensated adequately for the time and work required to fulfil their responsibilities. However, directors' remuneration packages should not reward poor

performance or provide greater compensation than warranted. If they do, Sesfikile Capital will generally vote against proposals where executive remuneration is considered excessive in relation to required input and company performance. Sesfikile Capital will vote against unexplained increases in bonuses during periods of poor performance. Sesfikile Capital supports companies obtaining independent opinions regarding executive remuneration.

6.3 Emoluments of non-executive directors

Sesfikile Capital will generally support non-executive emoluments if these are based on individual directors' contribution to the company's performance, linked to actual attendance of meetings and provided this is not excessive compared to peers.

6.4 Share option incentive schemes

Sesfikile Capital will review each remuneration plan with respect to share option schemes on a case by case basis. These schemes should be designed to provide incentives as opposed to risk free rewards. Sesfikile Capital will generally support proposals that call for a certain

percentage of director's remuneration to be in the form of shares. In addition, we will generally support incentive plans that link the granting of options, or the vesting of options previously granted, to specific long-term fundamental performance targets. Where the vesting of incentive schemes is related to the passage of time, Sesfikile Capital would like to ensure that the share incentive schemes only begin vesting after a minimum of two years, but preferably three years. We will vote against option plans that are 100% vested when granted. Sesfikile Capital will generally support share incentive schemes where the underlying securities will be issued at market value or a small discount. Options must be priced at a level that conforms to the pay-for-performance principle. Where options are issued at a discount to market value, the maximum discount approved is 10%.

We will generally not support plans that allow the re-pricing of share options or the reissue of out-the-money options.

Plans that grant the Board broad discretion in setting the terms and conditions of incentive programs are not preferred. Sesfikile Capital will generally not support plans that allow

employees to acquire shares or options with a company-provided, interest free or low interest loan.

7. Capital structure and shareholder rights

7.1 Increasing authorised shares and share issues.

Sesfikile Capital recognizes that directors may need the flexibility to issue shares to meet changing financial conditions, which may include supporting an acquisition or development or plans to restructure debt. The authorisation of additional shares should be motivated and used for legitimate business purposes only and be approved by shareholders.

We will review proposals to increase the authorised share capital on a case by case basis. Sesfikile Capital will generally not support blanket authority to issue shares and prefer granting authority for issuance that are limited to 10% of shares at a maximum discount to VWAP of 5%.

7.2 Share repurchases

Shareholders can benefit from share buy backs near or below book value but factors such as impact on distributions, balance sheet strength and share liquidity must be considered.

We will generally not support blanket authority to repurchase shares. Sesfikile Capital will evaluate each proposal on a case-by-case basis and will evaluate the following factors prior to deciding.

- The maximum share repurchase volume should not be more than 10% of share capital.
- The maximum share repurchase price premium should not be more than 10% of 30-day VWAP.
- The impact on distributions - the company's forward yield should be above its funding costs or yield on potential disposals,
- Impact on NAV - the shares are trading near or below book value.
- Share liquidity - there will be no negative impact on share liquidity.

7.3 Financial statements/Reports of directors and auditors.

We will generally vote against the approval of financials if there is insufficient financial disclosure, material doubts concerning the accuracy of the audit report, or key audit matters are not adequately addressed by the external auditors.

8. Appointment of auditors

An annual audit is an essential requirement in a well governed company and is one of the cornerstones of good corporate governance. The external audit provides an independent and objective check on the way in which the financial statements have been prepared and presented by the directors when exercising their stewardship to the stakeholders. Auditor independence is vital to shareholders. Shareholders must be confident that they can rely on the company's annual financial statements and that the auditors who produced the information have not been compromised.

Audit partner rotation is entrenched in South African law through Section 92 of the Companies Act 71 of 2008, also with the objective of achieving auditor independence from companies. Section 92 of the Act enables an auditor or designated auditor of a company to serve as a company's auditor for five consecutive financial years. If an individual has served as the auditor or designated auditor of a company for two or more consecutive financial years, and then ceases to be the auditor or designated auditor, the individual may not be appointed again as the auditor or designated auditor of that company until after the expiry of at least two further financial years.

Sesfikile Capital will generally support the choice of auditors recommended by the independent Audit Committee. Where auditors are being changed, we will review the reasons on a case by case basis. Sesfikile Capital will generally vote against auditors if they are generating excessive remuneration from other services or the auditor clearly does not have the capacity or geographic reach to conduct the audit in an effective manner.

9. Empowerment, BEE and employment equity

South Africa has an unfortunate history of social inequality and imbalances. Redressing the continued unequal distribution of ownership, management and control of South Africa's economic resources is crucial for the long-term survival of companies and the South African economy.

Companies should review empowerment issues; ensuring that proposals are always in favour of the business, that there is appropriate risk sharing and that it is in line with the relevant Black Economic Empowerment (BEE) sector charter. Companies need to transform their workplaces at all levels to ensure that they more accurately reflect the country's demographics. Companies should also adopt procurement policies, which foster BEE principles.

Sesfikile Capital will support resolutions encouraging the above, improving diversity and equity in the workplace. We will also support proposals asking companies to expand on their reporting on their efforts to comply with the Employment Equity Plan and BEE procurement policies and plans.

10. Conflict of interest

Sesfikile Capital owes a duty of undivided loyalty to its clients. The guiding principle motivating our entire business is to make client interests our top priority. Fund managers have a duty to put the interests of their clients over and above self-interest. The fundamental relationship between Sesfikile Capital and its clients is one of trust; accordingly, our reputation and integrity must always be beyond reproach.

Where Sesfikile Capital exercises voting rights on behalf of clients, it owes a duty to exercise the voting powers in the best long-term interests of its clients. In exceptional circumstances where there is a variance in the vote from the Proxy Voting Guidelines, which could lend itself to potential conflict of interest; Sesfikile Capital will immediately have discussions with our clients to determine how the proxy should be voted.

11 Issues not specifically addressed

In developing our proxy voting guidelines, we have not addressed various social issues. Nonetheless, they are material issues that could positively or negatively affect shareholder value and the long-term sustainability of the company. Therefore, should our clients be concerned about these issues we will develop appropriate voting policies.