

ESG POLICY

2026



INTRODUCTION

Sesfikile Capital has over 10 years' experience with expertise in local and global listed property. It has 5 investment professionals who generate proprietary research and analysis for our investment strategies. Sesfikile Capital provides investment management services to institutional and individual investors.

This policy describes the key elements of our approach to incorporating ESG and sustainability matters into our relevant investment processes.

Philosophy, approach, and implementation

At Sesfikile Capital, we take our fiduciary duty to our client investors seriously and act in the sole interest of our clients. We recognise that Environmental, Social and Governance (ESG) factors play an important role in assessing the long-term sustainability of investments. Accordingly, we believe that the integration of ESG factors into our investment process is a crucial step and will ultimately lead to increased value and lower risk for client portfolios.

While Sesfikile Capital is not a signatory to the UN PRI, due to the resourcing implications for the fund size, we will strive to act in accordance with the six principles with a view to contributing to the development of a more sustainable global financial system. The goal is to understand the implications of sustainability for investors and support signatories to incorporate these issues into their investment decision making and ownership practices.

We acknowledge that the Paris Agreement of the United Nations Framework Convention on Climate Change is critical to halting anthropogenic climate change. This acknowledgement will drive engagement with the management teams and Boards of non-Paris aligned equity holdings.

In addition, Sesfikile Capital supports the South African Code for Responsible Investing (CRISA). Sesfikile Capital supports the principles set out in CRISA, which stresses the importance of integrating sustainability issues, including ESG into long term investment strategies and gives guidance on how the institutional investor should execute investment analysis and investment activities and exercise rights so as to promote sound governance.

We have integrated ESG factors into our investment processes, stewardship practices and into the management of our own company in a manner that is consistent with our investment strategy, the interests of our clients and stakeholders and the principles set out in CRISA and UN PRI.

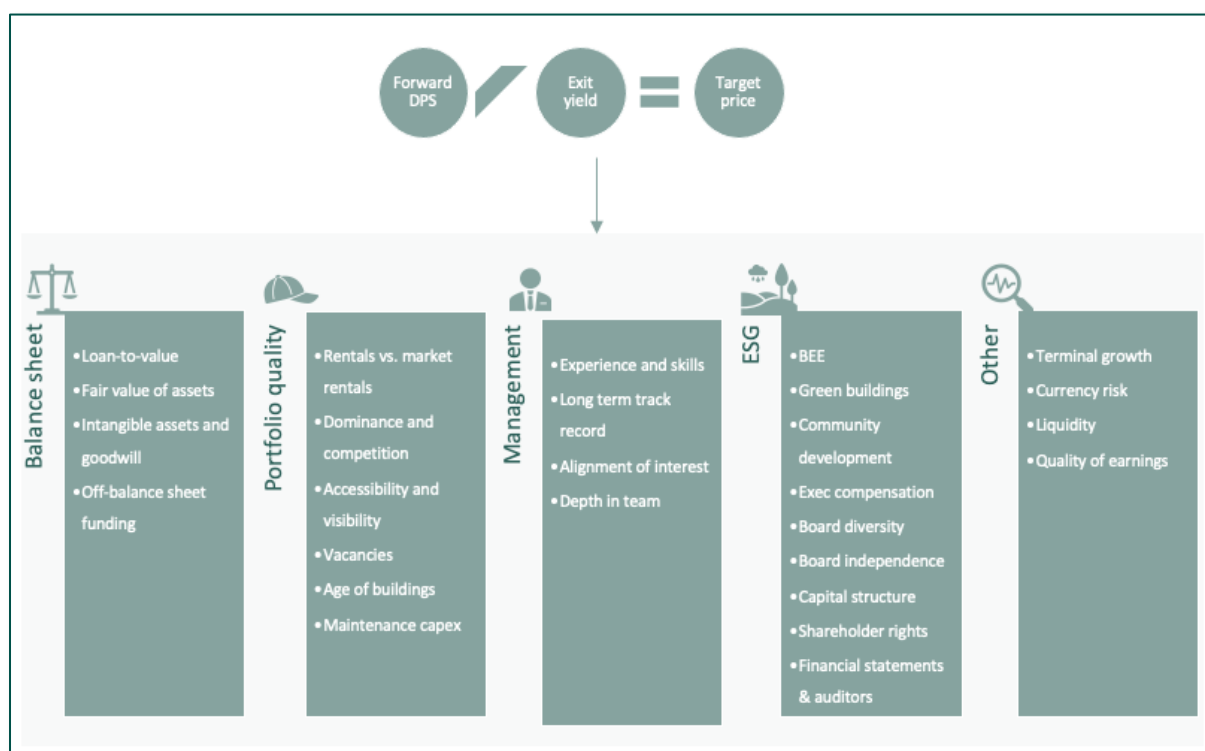
Subject to the mandate, Sesfikile Capital will not explicitly screen out or exclude any companies due to ESG factors. The only exception would be where there are concerns around a significant lack of corporate governance in a potential investee company and where, in Sesfikile Capital's view, it is unlikely that we would be able to influence management of the potential investee company to improve their corporate governance. For all other ESG factors, Sesfikile Capital includes these in the

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earnings estimates and valuation of the relevant investment, rather than assigning a specific ranking for companies comparing their ESG merit.

All investment team members are aware that ESG factors must be considered in the valuation process and are therefore responsible for ensuring that the ESG considerations relevant to a particular company are included in their long-term valuation of a company. As Sesfikile Capital rigorously applies our investment methodology of capitalising forward distributable earnings by a fair exit yield, ESG is incorporated into our exit yield and hence will be implicit in every investment decision that Sesfikile Capital makes.



The Head of Research and the Portfolio Managers oversee this process and the implementation of this policy in the investment process and decision-making.

We will consistently and proactively engage management on several ESG issues throughout the year, not only at the time of corporate events, so that management has sufficient time to address these concerns. Our overriding principle is that constructive pre-emptive engagement and rectification is a preferable outcome for all stakeholders over formulaic voting at general meetings.

Sesfikile Capital is authorised to exercise voting rights in respect of the holdings of the majority of segregated mandates where clients have specifically authorised Sesfikile Capital to vote their holdings on their behalf. Sesfikile Capital will be an active shareholder and apply its Proxy Voting Policy which requires it to vote on resolutions for all international holdings and to vote on all domestic holdings regardless of the size of these holdings.



Investee companies that are not sufficiently transparent or that do not provide adequate disclosure and reporting of the manner in which they apply ESG considerations and/or are achieving corporate governance in their organisations will be engaged to ensure they provide integrated reporting which provides the necessary level of reporting on these matters. Where companies we engage with fail to improve their standard of disclosure, we will exercise our rights of ownership at the AGM in an appropriate manner to drive the required change. Given the differing nature of the underlying business of the companies, appropriate disclosures will differ from a company to company basis. This supports our approach of dealing with ESG on an individual case by case basis managed by the relevant analyst.

1. ENVIRONMENTAL

1.1 Energy Efficiency and Renewable Energy

Energy consumption and security of electricity supply are important environmental and operational considerations for property companies. In South Africa, rising electricity tariffs, historical supply constraints and the need for reliable energy infrastructure have increased the importance of energy efficiency and alternative energy solutions. Investment in renewable energy, energy-efficient building systems and appropriate backup power infrastructure can reduce operating costs, improve resilience and support the long-term competitiveness of property assets.

Sesfikile Capital encourages investee companies to implement commercially sustainable initiatives aimed at reducing energy consumption and improving energy security. These may include the installation of rooftop solar photovoltaic systems, battery storage, energy-efficient lighting and building management systems. We will engage with management to assess the financial and operational benefits of these investments, including their impact on property operating costs, capital expenditure, tenant affordability and long-term asset values. We recognise that the feasibility and economic returns of such initiatives will differ across property types and individual assets.

1.2 Water Conservation and Security

Water scarcity and the reliability of municipal water infrastructure represent increasingly important risks for property owners in South Africa. Ageing infrastructure, water losses, supply interruptions and rising municipal tariffs can affect the operating performance and long-term sustainability of property assets. We recognise that effective water management is therefore both an environmental responsibility and an important component of operational risk management.

Sesfikile Capital encourages investee companies to adopt responsible water management practices, including monitoring consumption, identifying and reducing water losses, improving water efficiency and investing in appropriate alternative water solutions where commercially



viable. These may include rainwater harvesting, water recycling, boreholes and water storage infrastructure, subject to applicable regulatory requirements. We will engage with management to understand their exposure to water-related risks, particularly in regions experiencing infrastructure constraints or water stress, and assess the potential implications for operating costs, tenant retention, capital expenditure and property valuations.

1.3 Green Buildings and Sustainable Property Development

The environmental performance of buildings is an important consideration in assessing the long-term sustainability and competitiveness of property portfolios. Energy efficiency, water consumption, building design and the use of sustainable materials can influence operating costs, tenant demand and the future capital expenditure requirements of property assets. As environmental standards and tenant expectations evolve, properties that fail to adapt may face increased obsolescence risk and reduced competitiveness.

Sesfikile Capital encourages investee companies to consider environmental sustainability in the development, acquisition, refurbishment and ongoing management of properties. We support the adoption of recognised green building standards and certifications, such as those administered by the Green Building Council South Africa, where these provide demonstrable operational or financial benefits. In assessing property companies, we will consider the extent to which environmental improvements contribute to lower operating costs, improved building quality, stronger tenant demand and the preservation of long-term asset values. We recognise that investment in green building initiatives should be evaluated alongside their capital requirements and expected financial returns.

1.4 Waste Management and Resource Efficiency

Responsible waste management and efficient resource utilisation are important components of sustainable property operations. Property companies have opportunities to reduce their environmental impact through improved waste separation, recycling, responsible disposal and the efficient use of materials. These initiatives can also contribute to lower operating costs, improved tenant engagement and compliance with evolving environmental requirements.

Sesfikile Capital encourages investee companies to implement appropriate waste management practices across their property portfolios, including initiatives to reduce waste sent to landfill and improve recycling rates. We will consider the extent to which management teams monitor waste generation, engage with tenants and service providers, and incorporate resource efficiency into property operations and development activities.

1.5 Climate Resilience and Physical Environmental Risks

We recognise that climate change presents both physical and transition risks to property investments. Physical risks include extreme weather events, flooding, droughts, heatwaves and other environmental conditions that may damage buildings, disrupt operations or increase



maintenance and insurance costs. Transition risks may arise from changes in environmental regulation, energy markets, building standards and tenant preferences. The nature and extent of these risks will vary according to the location, characteristics and use of individual properties.

Sesfikile Capital will consider material climate-related risks as part of its assessment of investee companies and their underlying property portfolios. We encourage management teams to identify properties exposed to significant environmental risks and implement appropriate mitigation and adaptation measures. Where relevant, we will assess the potential implications for insurance availability and costs, capital expenditure requirements, operating performance and long-term property valuations. We will also engage with management regarding the adequacy of climate-related disclosures and the extent to which these risks are incorporated into strategic planning and capital allocation decisions.

1.6 Biodiversity and land use

Sesfikile Capital recognises the importance of responsible land use and the protection of biodiversity, particularly in relation to new property developments and the redevelopment of existing assets. We encourage investee companies to consider the environmental impact of development activities, including land disturbance, habitat protection and compliance with applicable environmental regulations. Where material, we will assess the potential implications of biodiversity-related risks for development approvals, capital expenditure, operational sustainability and long-term property values.

1.7 Climate change

We recognise the importance of the Paris Agreement of the United Nations Framework Convention on Climate Change. The central aim of the agreement is to strengthen the response to the global threat of climate change by:

- keeping a global temperature rising this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius;
- strengthening the ability of countries to deal with the impacts of climate change through appropriate financial flows, a new technology framework and an enhanced capacity building framework;
- enhancing transparency of action and support through a more robust transparency framework.

We are committed to integrating an assessment of climate risks and opportunities into our relevant fundamental investment research. Climate regulation and technological development present sources of idea generation that can help us to identify alpha generation opportunities. We have identified a range of climate-related risks such as water scarcity, energy and waste management, and biodiversity loss, and understand and assess the financial impacts of these risks on a company's future revenues, costs, expenditures, assets, and liabilities.



We engage with relevant company executives and senior management, specifically on net zero strategies and other climate-related issues that could impact a company's long-term financial performance and therefore, the value of our clients' investments.

We will work to promote openness and transparency on climate related issues affecting our investments.

1.8 Integration of Environmental Considerations into Investment Decisions

Sesfikile Capital recognises that environmental factors can have a material influence on the operating performance, risk profile and long-term valuation of listed property companies. Accordingly, we incorporate financially material environmental considerations into our fundamental investment research and valuation process. These may include energy efficiency, renewable energy investment, water security, climate-related physical risks, building sustainability and the capital expenditure required to maintain the competitiveness of underlying property assets.

Consistent with our broader investment philosophy, environmental considerations are assessed on a company-by-company basis, taking into account the characteristics of individual property portfolios and their geographic exposure. We do not apply a uniform environmental scoring framework or automatically exclude companies based on individual environmental indicators. Instead, we assess the potential impact of material environmental risks and opportunities on sustainable distributable earnings, operating costs, capital expenditure requirements and the appropriate exit yield. Where shortcomings are identified, our preferred approach is constructive engagement with management, with the objective of encouraging commercially sustainable improvements that protect and enhance long-term shareholder value.

2. SOCIAL

2.1 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.

2.2 Supply Chain Labour Practices and Contractor Governance

Supply chain labour practices, contractor governance and responsible procurement are recognised as increasingly important social and governance considerations, particularly given their potential impact on the resilience, reputation and long-term sustainability of investee companies.

While supply chain labour compliance and contractor governance have not historically been a standalone thematic engagement focus across the portfolio, Sesfikile Capital recognises the importance of appropriate oversight of these risks and intends to progressively strengthen its stewardship approach in this area.

As part of this approach, Sesfikile Capital will, where relevant:

- incorporate targeted questions relating to contractor governance, labour practices and supply chain compliance into ESG engagement discussions with investee companies;
- assess whether investee companies have appropriate supplier codes of conduct, procurement policies and formal supplier due diligence frameworks;
- evaluate the extent to which Boards and management oversee supply-chain-related risks, including labour and contractor risks;
- encourage improved disclosure regarding supplier monitoring, labour standards, remediation processes and the management of identified supply-chain risks; and
- consider supply chain governance and labour practices as part of the firm's broader investment risk assessment and stewardship activities, where these factors are material to the investment case.

Sesfikile's approach is intended to encourage constructive engagement and improved practices over time, recognising that the relevance and materiality of supply-chain risks will differ across companies and sectors. This is consistent with Sesfikile's broader approach of addressing ESG matters on a case-by-case basis and through constructive engagement with investee company management.

2.3 Community Engagement and Socioeconomic Development

Property companies play an important role in the social and economic development of the communities in which they operate. In South Africa, where unemployment, inequality and uneven access to economic opportunities remain significant challenges, well-managed property assets can contribute positively through employment creation, local procurement, support for small businesses and investment in surrounding communities. Shopping centres, in particular, often



serve as important economic and social infrastructure, providing access to essential goods and services while supporting local economic activity.

Sesfikile Capital recognises that sustainable relationships between property owners and their surrounding communities are important to the long-term success of property investments. We encourage investee companies to implement community development initiatives that are relevant to their operations, including support for local entrepreneurs, skills development, educational programmes and employment opportunities. We will engage with management to assess the effectiveness and sustainability of these initiatives, particularly where they contribute to stronger community relationships, reduced operational risks and the long-term resilience of underlying property assets.

2.4 Tenant Relationships and Responsible Property Management

We recognise that the long-term sustainability of property investments depends on maintaining constructive and mutually beneficial relationships between landlords and tenants. Responsible property management practices, including transparent lease arrangements, fair treatment of tenants, appropriate maintenance and the provision of safe and functional premises, contribute to tenant retention, occupancy levels and sustainable rental income. These considerations are particularly relevant in South Africa, where economic pressures on businesses and households can affect the affordability and sustainability of rental obligations.

Sesfikile Capital encourages investee companies to adopt responsible tenant engagement practices that balance the commercial interests of property owners with the long-term sustainability of their tenant base. We will consider the extent to which management teams engage with tenants, respond to changing market conditions and support tenant sustainability, particularly among smaller and emerging businesses. Where material, we will assess the implications of tenant relationships, affordability and retention for rental growth, vacancies, operating performance and the long-term value of property portfolios.

2.5 Health, Safety, Security and Accessibility

The health, safety and security of employees, tenants, contractors and visitors are fundamental responsibilities of property owners and managers. Property companies are expected to maintain appropriate standards of building safety, fire protection, structural integrity, occupational health and safety, and emergency preparedness. In the South African context, physical security and the management of crime-related risks are particularly important considerations, given their potential impact on tenant demand, customer activity, operating costs and property valuations.

Sesfikile Capital will encourage investee companies to maintain appropriate health, safety and security policies, supported by effective monitoring and reporting of material incidents. We also recognise the importance of ensuring that properties are accessible and inclusive, including appropriate provision for persons with disabilities. Where relevant, we will engage with management regarding safety compliance, security arrangements, incident management and



capital expenditure required to maintain safe and accessible buildings. Material shortcomings in these areas will be considered in our assessment of operational risk and the long-term sustainability of property earnings.

2.6 Skills Development and Employment Creation

South Africa's high levels of unemployment, particularly among young people, highlight the importance of employment creation, education and skills development in supporting sustainable economic growth. The property sector contributes to employment both directly and indirectly through property management, construction, maintenance, security, cleaning, retail and other services. Investment in skills development and workforce transformation can improve operational efficiency, strengthen relationships with stakeholders and support the long-term sustainability of the sector.

Sesfikile Capital encourages investee companies to provide opportunities for employee development, training and career progression, with particular consideration given to historically disadvantaged individuals, women and young people. We also support initiatives that facilitate the participation of small, medium and micro enterprises in property-related supply chains. In assessing investee companies, we will consider the effectiveness of relevant employment and skills development initiatives, recognising that their scale and implementation will differ according to the nature of each company's operations.

2.7 Human Rights and Stakeholder Engagement

Sesfikile Capital recognises the importance of respecting human rights and promoting fair and responsible business practices across the operations of investee companies. We expect companies to conduct their activities in accordance with applicable labour legislation and to maintain appropriate policies addressing discrimination, harassment, unfair labour practices and the treatment of employees, contractors and other stakeholders. In the property sector, these considerations extend to the management of security personnel, outsourced service providers, construction activities and relationships with surrounding communities.

We believe that constructive stakeholder engagement can assist companies in identifying and managing social risks before they develop into material operational, legal or reputational challenges. We will encourage investee companies to maintain appropriate mechanisms for stakeholder engagement, grievance reporting and the resolution of material disputes. Where significant concerns arise, Sesfikile Capital will engage with management to understand the underlying issues, the adequacy of remedial measures and any potential implications for the long-term value of our investments.

2.8 Integration of Social Considerations into Investment Decisions

Sesfikile Capital recognises that social factors can have a material impact on the operating performance, risk profile and long-term valuation of listed property companies. Accordingly, we



incorporate financially material social considerations into our fundamental research and investment decision-making process. These may include tenant relationships, employee and contractor practices, community engagement, health and safety, transformation, and the social sustainability of underlying property assets.

Consistent with our broader investment philosophy, we do not apply a uniform social scoring framework or automatically exclude companies based on individual social indicators. Instead, we assess the relevance and materiality of these factors on a company-by-company basis, considering their potential implications for sustainable distributable earnings, capital expenditure requirements, occupancy, rental growth and the appropriate exit yield. Where shortcomings are identified, our preferred approach is constructive engagement with management, with the objective of encouraging improvements that protect and enhance long-term shareholder value.

3. GOVERNANCE

INTRODUCTION

A well-governed, sustainable and responsible company meets high standards of corporate governance and operates in the best interests of shareholders and stakeholders.

We are dedicated to the highest standards of corporate governance and we are therefore committed to good corporate citizenship and organisational integrity in directing, controlling and the stewardship of affairs.

This commitment to an open governance process provides stakeholders with the comfort that Sesfikile Capital clients' affairs are being managed in an ethical, transparent and disciplined manner, considering prudently determined risk parameters, thereby over time optimising the return to clients' and shareowners' wealth, while ensuring sustainable success and protecting client interests. This philosophy is based on transparency, accountability and responsibility.

In order to ensure that we conduct our affairs according to the highest standards of corporate governance and to protect the interests of our investors, our approach to shareholder activism and proxy voting, draws on the appropriate elements from King and incorporates the governance provisions of the Companies Act of 2008.

Sesfikile Capital is approved by the Financial Services Conduct Authority as a discretionary financial services provider in terms of the Financial Advisory and Intermediary Services Act of 2002 and is required by regulation to comply with a number of conditions that are intended to safeguard our client's investments. Included in these requirements is the need for an annual audit report by the external auditors, reporting specifically on the adequacies of the control environment. The Compliance Officer is also required to submit two FAIS Compliance Officer reports to the FSCA on an annual basis, providing a detailed review of the compliance and risk status of the business.

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Sesfikile Capital's corporate governance and control environment is overseen by its Compliance and Risk Officer and external auditors. The Sesfikile Capital Investment Team approves and monitors equity investments.

Sesfikile Capital has its own Code of Conduct, which covers business principles, ethics, conflicts of interests, personal account dealing rules amongst others. This Code has been modelled on CFA Institute standards, which are acknowledged to be the best in global practice.

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 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 helps maintain 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 the 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.

5.2 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 director's contribution and usefulness may wane or become less relevant to the organizations 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.

5.3 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 directors' 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 recognises 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 issuances 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. 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.

10. 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.

11. 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 a 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 financially, socially and environmentally 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.

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