

## RESPONSIBLE INVESTMENT SUMMARY

### Proxy Voting Summary Q4 2019

RESOLUTION TYPE NAME	TOTAL COUNT	FOR %	AGAINST %	ABSTAIN %
Adopt financials	3	100%	0%	0%
Auditor / risk / social/ ethics related	49	100%	0%	0%
Buy back shares	11	82%	18%	0%
Director remuneration	49	98%	2%	0%
Dividend related	3	100%	0%	0%
Issue shares	16	6%	94%	0%
Loan / financial assistance	13	54%	46%	0%
Other	11	73%	27%	0%
Re / elect director	60	100%	0%	0%
Remuneration policy	23	17%	83%	0%
Shares under director control	4	50%	50%	0%

#### General Comments:

- J There are no abstentions. We apply our minds to every single resolution put to shareholders. When there is an abstention it would typically be intentional or strategic reasons.
- J We typically vote against any resolution that could dilute the interests of existing shareholders. Examples include placing shares under the blanket control of Directors, providing loans and financial assistance to associate companies or subsidiaries and blanket authority to issue shares. On the rare occasion we have voted in favour of such resolutions, we were able to gain the required conviction in the specifics of the strategic rationale for such activities and could gain comfort that such activities are indeed to be used to the reasons stated.
- J The firm also has a strong philosophy regarding management remuneration models. We believe in rewarding good managers with appropriate cash remuneration on achievement of relevant performance metrics that enhance long-term shareholder value. We are generally not in favour of share option schemes given the inherent asymmetry between risk and reward typical of such schemes. In addition, we do not believe that existing shareholders should be diluted by the issuing of new shares to management as is the case with most option schemes. We are in favour of the alignment created between management and shareholders when management has acquired its stake in the company through open market share trading and paid for out of management's own cash earnings.

#### Notable Engagements

*(Note: reporting at investment house level, specific fund might not be invested in all these companies)*

##### Sasol

We held a face to face ESG specific meeting with the new CEO. Main ESG risks center around pollution as Sasol's Secunda plant is a major source of carbon emissions. Sasol acknowledges the scientific evidence for climate change and has, for many years, been trying to mitigate its impact on the environment. It produces a comprehensive sustainability report and incorporates its progress on set criteria when reporting to shareholders to ensure long term value is not compromised. The introduction of a carbon tax in SA could result in a 5% knock to earnings so, as shareholders, it is essential that we engage with management to ensure the impact to their bottom line is limited. Although exposure to Eskom has been reduced with self-provision, major Eskom blackouts would impact production facilities.

In addition, the board has also not necessarily been strengthened by recent appointments and we are flagging the effectiveness of the proposed new chairman. Longer serving, more experienced board members will have to take leadership in guiding the executive team.

Against this, Sasol remains an uncorrelated source of return in our investor's portfolios and a good hedge against the Rand fuel price and therefore inflation. In addition, given the relatively narrow investment opportunity set in South Africa, the investment case for including it in our investors' portfolios remains. Our approach is to manage the various risks cited through position size and ongoing constructive engagement with the company, rather than outright exclusion.

#### **FirstRand**

Voted "For" on two special resolutions relating to climate change risk:

We are in favour of increased disclosure that is deemed to provide greater insight into business, social and environmental risks pertaining to the group.

Management has shown a clear understanding and active approach towards mitigation of ESG risks.

#### **Aspen**

Engaged with Ben Kruger (board member) on general corporate governance issues, the structure and conduct of board meetings, interactions and conduct of the executive.

#### **Stor-age**

Interaction with Graham Blackshaw (new Chairman) on executive related party transactions.

#### **Spur**

Interaction with Mike Bosman (Chairman) on remuneration, related party transactions, board conduct and interactions.

#### **Invicta**

Engaged with Christo Wiese (Chairman) regarding general corporate governance and executive management.

#### **Metair**

Interaction with Sam Sithole (board member) on strategy, corporate governance, executive remuneration and board meeting conduct.

#### **Italtile**

Engaged Susan Du Toit (lead independent non-executive director) over the remuneration policy and share incentive scheme.

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