



FOORD ASSET MANAGEMENT

STEWARDSHIP REPORT 2020

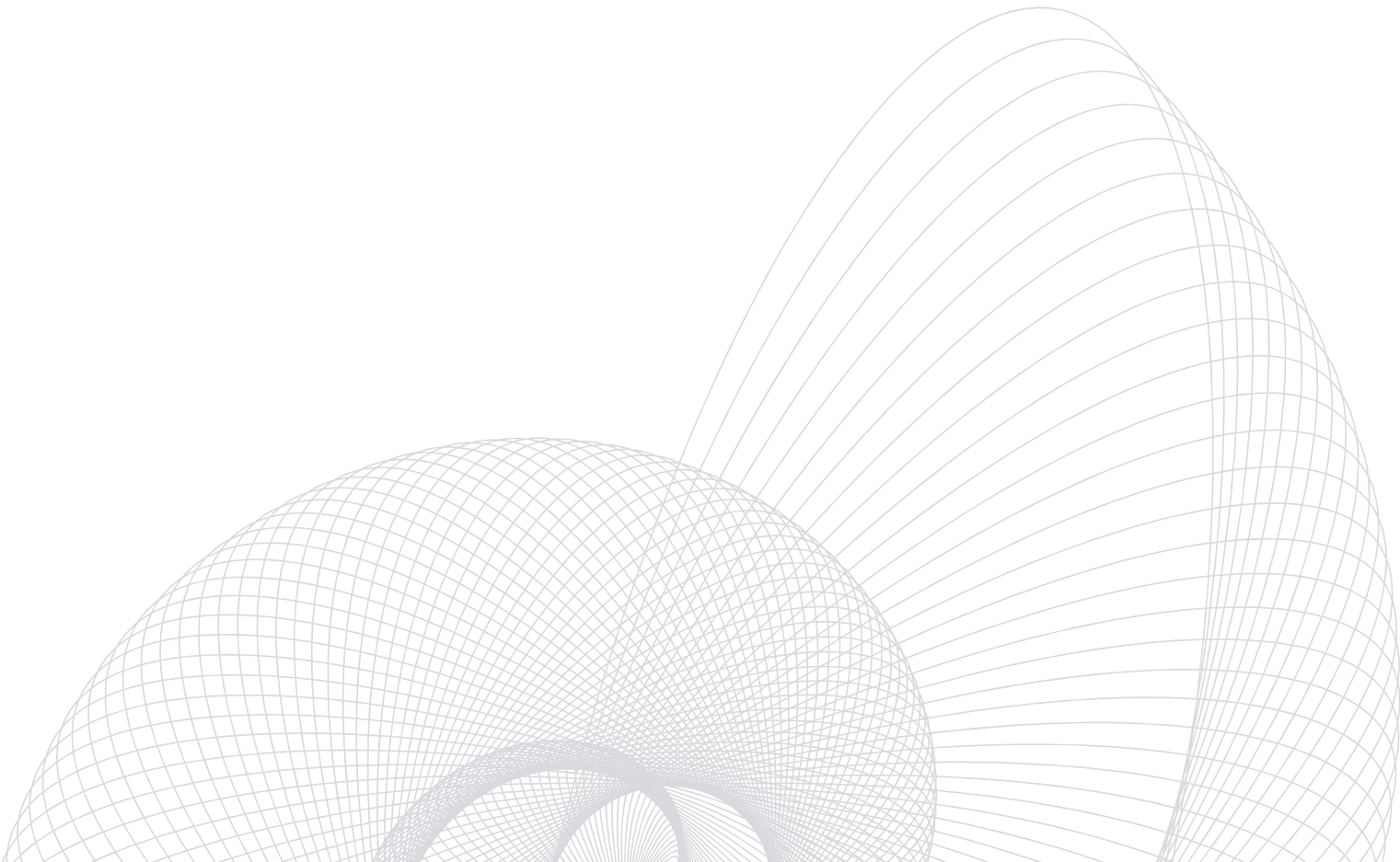


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ESG POLICY

Foord has a well-established Environmental, Social and Governance (ESG) and investment stewardship ethos. This ethos is founded on the belief that investors' money should be managed with the same degree of care and dedication they would themselves exercise in the endeavour.

Foord considers ESG factors to be integral to the research and portfolio management process. They are essential to active shareholding. Because the long-term sustainability of income streams has always been fundamental to our investment philosophy, we have an acute awareness of non-financial factors embedded in the investment process.

In addition to a highly disciplined and well-defined proxy voting policy, the firm's proprietary application of ESG factors in the research process is complemented by specialist third party ESG research. Foord has a long track record of actively engaging company boards and management to improve sustainable outcomes for all stakeholders. We report our comprehensive ESG activities via an annual Stewardship report, ongoing investor feedback sessions and documentation available on the website and other channels.

Given this natural alignment, we endorse the principles espoused in the CRISA code:

Principle 1 – An institutional investor should incorporate sustainability considerations, including ESG, into its investment analysis and investment activities as part of the delivery of superior risk-adjusted returns to the ultimate beneficiaries.

As long-term investors, Foord understood the importance of taking account of social, environmental and governance issues long before the 2011 amendment of Regulation 28. ESG is an integral part of the overall investment process as these issues are critical to the future success and sustainability of the company. Sustainability is important in Foord's formal macro overview, its economic forecasting and probability analysis, and top-down asset allocation and is used as one of the subjective measures when rank attractively priced companies or evaluating the management of companies purchased for client portfolios. We have made ongoing incremental improvements to improve the external visibility of these activities and more formally record them to improve our ESG reporting.

Principle 2 – An institutional investor should demonstrate its acceptance of ownership responsibilities in its investment arrangements and investment activities.

Foord assigns a formal ESG score to each of the companies under our research coverage. Importantly we also record the score trajectory (i.e. improving or declining) which automatically initiates a deeper dive from the relevant analysts to better understand the reasons for a company's ESG score trend. Company engagements are a cornerstone of our research process and we have a long history as an active shareholder. In addition, to discharge its responsibilities on the governance, social and environmental side and to fulfil its duty of care, the firm votes on behalf of clients in respect of their investments in accordance with Foord's voting policy. The voting policy is publicly available on the website. In brief, it requires that Foord:

- Staff apply their minds to all matters requiring the voting of clients' shares, irrespective of whether the number of votes to be cast may affect the outcome of the voting
- Maintains a register of all upcoming annual general meetings (attendance is compulsory where questioning of management decisions is deemed appropriate)
- Votes on resolutions in accordance with what it believes to be in the best interests of shareholders
- Considers environmental, social and governance issues for each vote
- Considers all other matters on a case by case basis.

Principle 3 – Where appropriate, institutional investors should consider a collaborative approach to promote acceptance and implementation of the principles of CRISA and other codes and standards applicable to institutional investors.

Foord will continue to show leadership in shareholder activism in the South African investment management industry. Where appropriate, the firm will consider collaborative approaches to promote the interests of investors. In addition, Foord is an active member of the investment community and is an ordinary member of ASISA.

Principle 4 – An institutional investor should recognise the circumstances and relationships that hold a potential for conflicts of interest and should pro-actively manage these when they occur.

Foord has a comprehensive internal policy on avoiding conflicts of interest. This policy is available on the website. In brief, it requires that Foord:

- Places client interest before its own as client interests are paramount
- Does not engage in practices designed to distort prices or artificially inflate volume with the intent to mislead market participants
- Does not act, or cause others to act, on material, non-public information that could affect the value of a publicly traded investment
- Gives priority to investments made on behalf of the client over those that benefit their own interests
- Must not execute its own trades in the same security prior to client transactions
- Does not benefit from investment activities if such activities could adversely affect any client interest
- Must not engage in trading activities that work to the disadvantage of clients (e.g. front-running client trades)
- May, in certain circumstances, put its own capital at risk alongside that of its clients in order to align its interests with the interests of its clients (it being noted that these arrangements are permissible only if clients are not disadvantaged)
- Ensures fair and equitable trade allocation among client accounts
- Discloses all material facts when providing information to clients regarding Foord's investments, its personnel's investments or the investment process.

Principle 5 – Institutional investors should be transparent about the content of their policies, how the policies are implemented and how CRISA is applied to enable stakeholders to make informed assessments.

All ESG related policy, process and reporting documentation is publicly available on the firm's website. The following documents can be accessed:

- ESG policy
- Proxy voting policy
- Conflicts of interest policy
- Annual stewardship report
- Quarterly stewardship update

ESG summaries are also included in all pension fund investor feedback presentations and meetings.

PROXY VOTING POLICY

Foord invests on behalf of segregated and collective investment scheme portfolios in companies listed on approved stock exchanges. It owes a fiduciary duty to its investors to vote on company resolutions in a manner that preserves and enhances the investor's investment interest. Corporate abuses are more probable in an environment of shareholder apathy. Shareholders must actively participate in protecting the value of their investments against potentially harmful management decisions.

Guiding principles include:

- Do not abstain unless for strategic or tactical reasons. Foord takes its stewardship responsibilities very seriously. We apply our minds to every resolution put to shareholders.
- Vote against resolutions that dilute the interests of shareholders. Examples include placing shares under the blanket control of directors, authorising loans and financial assistance to directors, associate companies or subsidiaries and blanket authority to issue shares.
- Vote against share option remuneration models. Share option schemes offer inherent risk-reward asymmetry and dilute existing shareholders. We favour the alignment created between management and shareholders when management buys shares in the market for cash. Foord's management remuneration philosophy therefore supports cash awards to good managers that achieve performance metrics that enhance long-term shareholder value.
- Scrutinise director appointments closely. We pay special attention to the election and re-election of directors. Appointees must be appropriately qualified and experienced for the company's industry. Track records must show the highest ethical and governance standards. We apply strict criteria to the election of independent directors and chairpersons.
- The proper composition and size of boards and board subcommittees.
- Auditor rotations in line with the King codes of governance.

The voting process is as follows:

- Administrators collate proxy voting forms for shares held in client portfolios. Portfolio managers will initiate/undertake voting following internal discussions and in-line with Foord's voting policy.
- Administrators process the approved proxy forms. The vote, voting rationale and resolution outcome is recorded on the Foord investment administration system for reporting purposes.
- Administrators retain completed proxy voting forms in the corporate actions database.

PROXY VOTING SUMMARY — 2020

The table below provides a high-level summary of proxy voting activity on the Foord Balanced Fund.

DOMESTIC COMPONENT	NUMBER	FOR	AGAINST	ABSTAIN
Adopt Financials	19	100%	0%	0%
Auditor/Risk/Social/Ethics related	148	92%	8%	0%
Buy Back Shares	30	93%	7%	0%
Director Remuneration	162	96%	4%	0%
Dis-apply Preemptive Rights	2	0%	100%	0%
Dividend Related	8	100%	0%	0%
Issue Shares	31	16%	84%	0%
Loan / Financial Assistance	41	44%	56%	0%
Other	51	80%	20%	0%
Political Expenditure/Donation	2	0%	100%	0%
Re/Elect Director	202	99%	1%	0%
Remuneration Policy	67	37%	63%	0%
Share Option Scheme	1	100%	0%	0%
Shares under Director Control	13	8%	92%	0%
Signature of Documents	8	100%	0%	0%
	785			

FOREIGN COMPONENT (FOORD INTERNATIONAL FUND)	NUMBER	FOR	AGAINST	ABSTAIN
Adopt Financials	8	100%	0%	0%
Auditor/Risk/Social/Ethics related	48	90%	6%	4%
Buy Back Shares	12	75%	25%	0%
Dividend Related	12	100%	0%	0%
Issue Shares	30	20%	77%	3%
Loan / Financial Assistance	1	0%	100%	0%
Others	52	58%	29%	13%
Political Expenditure/Donation	1	0%	100%	0%
Re/Elect Director or members of supervisory board	275	99%	0%	1%
Remuneration Policy incl. directors' remuneration	48	40%	60%	0%
Shares under Director Control	1	100%	0%	0%
Signature of Documents/ Ratification	2	100%	0%	0%
	490			

FOREIGN COMPONENT (FOORD GLOBAL EQUITY FUND)	NUMBER	FOR	AGAINST	ABSTAIN
Adopt Financials	10	100%	0%	0%
Auditor/Risk/Social/Ethics related	66	91%	9%	0%
Buy Back Shares	17	71%	29%	0%
Dividend Related	16	100%	0%	0%
Issue Shares	46	17%	80%	2%
Loan / Financial Assistance	1	0%	100%	0%
Others	49	59%	29%	12%
Political Expenditure/Donation	2	0%	100%	0%
Re/Elect Director or members of supervisory board	373	99%	1%	1%
Remuneration Policy including directors'	68	29%	66%	4%
Shares under Director Control	1	100%	0%	0%
Signature of Documents/ Ratification	5	100%	0%	0%
	654			

COMPANY APPROACHES TO PANDEMIC RELATED STRESSES

The pandemic driven lockdowns early in 2020 resulted in some valuable internal discussions and debates about how company management teams approached the related stresses.

As long-term investors, we want to invest in businesses for more than just a quarter or the upcoming year. As a result, we continuously monitor whether management are making decisions that will “save” a short-term interim result or are making decisions that will enhance the value of the business over the long term for all stakeholders (like improving employee, supplier and customer relationships).

An example that we discussed internally during March 2020, was global luxury goods manufacturer, Hermes, which committed to:

1. Paying all employees and not push retrenchments (goodwill from employees)
2. Not seeking government support (goodwill from government)
3. Converting perfume production to sanitizer manufacturing within days (goodwill from clients).

We think that is partly why when it eventually re-opened its Guangzhou (China) store, it registered \$2.7 million in sales in just one day.

Similarly, in South Africa we noted the Dischem’s decision to withhold rental payments despite the company being deemed an essential service and continued to trade. This would be a negative mark against management in our view.

NOTABLE ENGAGEMENTS

Q1 2020	
Sasol	<p>Engaged with Sasol’s remuneration committee, which was seeking feedback on its latest remuneration report. We stressed that the incentive scheme:</p> <ul style="list-style-type: none"> • Should focus on factors under management’s control i.e. costs, volumes, ESG issues, through the cycle returns on capital/equity • Should not benefit/suffer from moves in uncontrollable factors (e.g. oil price and currency) • Should, given the latest balance sheet issues, consider including an item that incentivises future management to retain a strong balance sheet and/or focus on enhancing cash flow <p>We again emphasised Foord’s opposition to any scheme that results in our investors’ equity interest being diluted e.g. share options.</p>
Tiger Brands	<p>Engaged with investor relations regarding new CEO appointment and the process that the board of directors undertook to pick the new candidate and why he was overlooked previously (company not held in the portfolio).</p>
Netcare	<p>Attended a two-day investor engagement session:</p> <ul style="list-style-type: none"> • Day 1 was National Health Insurance (NHI) focused with the Minister of Health doing a Q&A and then Netcare discussing their preparedness. • Day 2 was a Q&A with management on COVID-19 preparedness, cost efficiency programs and discussion on management's choice of buy-backs over special dividends.
Bidvest	<p>Post results meeting in Foord’s offices, we engaged in Q&A around regulatory approval of Eqstra and PHS acquisitions. Discussion around the rationale & expected synergies regarding the PHS acquisition and related funding. Discussion around the price paid for the acquisition of Adcock shares and divisional restructure post consolidation.</p>
Bidcorp	<p>Post results meeting in Foord’s offices, we engaged in discussion around the impact on drought fires and Brexit on the Australian and UK businesses. Discussion around COVID-19 impact on the China/HK business and prospects for investment in both countries.</p>
Life Healthcare	<p>Management discussion around the COVID-19 impact on the UK/Italian operations and their preparedness in SA. Q&A around their investment in LMI and the potential for future optionality.</p>
Quilter	<p>Attended a governance meeting with Glyn Jones (chairman) to discuss AGM voting, remuneration policy and capital.</p>
Multichoice Group	<p>Discussed proposed changes to the remuneration policy which included minimum shareholding requirements for ExCo members, performance hurdles for Short & Long Term Incentives, vesting period and claw back clauses.</p>

Q2 2020	
Standard Bank	Engaged the board regarding proxy voting around remuneration structures, disclosures and reporting and approach to climate change related resolutions. The board supports the goals of the Paris Agreement and developing climate policy which will be in line with the guidelines of the TCFDs. The company has spent a lot of time getting buy in from the management and board structures. They are more focused on renewables than non-renewables but Africa is reliant on non-renewables and so cannot simply immediately eliminate it. We are comfortable with the strategic approach with regards to climate change related policies.
Capital & Counties	Engaged with the Chairman (Henry Staunton) on governance and remuneration.
Hudaco	Engaged with the Chairman (Stephen Connelly) on ESG and overall corporate governance.
Metair	Engaged with the Metair Remuneration committee on remuneration policy and outcomes going forward. Engaged with the Chairman (Brand Pretorius) separately on executive and non-executive management structures and succession planning.
Spurcorp	Several engagements with the Chairman and Board Remuneration Committee non-executive members regarding remuneration and corporate governance, as well as capital allocation.
The Foschini Group	<p>Food has a strict policy of not tolerating existing shareholder dilution especially when used in incentive schemes. However, we decided to take a pragmatic approach with respect to the TFG rights issue and we voted in for the rights issue resolutions where we held a mandate, taking the view that it was the best option for all stakeholders given that TFG's short-term funding was pulled due to COVID-19 risk.</p> <p>For some background, the Food portfolios had a very small holding that we had begun to build which was not yet material across the portfolios. Given the understanding that the transaction would fix the liquidity issue and repair the balance sheet, it gave us an opportunity to own a great company with reduced downside risk.</p> <p>The specific engagements were:</p> <ul style="list-style-type: none"> • Lodging our concerns about the size of the underwriting fees agreed with the rights issue underwriters when the rights issue discount was so large (risk free profit to the underwriters at the expense of shareholders) • We pushed for asset managers to be included in the underwriting arrangement to allow investors to participate in the underwriting fees • We wrote to the chairman of the board to register our displeasure with management for the poor term structuring of TFG's debt that caused the liquidity trouble and our disappointment that they continued with the partial bank underwriting.

Q3 2020	
Capital & Counties	Discussion with remuneration committee regarding 2020 Financial Year executive remuneration.
Metair	Engaged with head of remuneration committee and chairman on executive management succession, 360-degree review for the Finance Director as well as Chairman succession plans. Separately engaged a board member on capital allocation/structure.
Invicta	Engagement with board members on capital structure/capital allocation and executive management remuneration.
Aspen	Engagement on auditor appointment and new audit rotation engagement process.
Life Healthcare	Discussion with management on AGM voting and remuneration policy.
Bidcorp	Discussion on appropriateness and of the return and growth targets in the remuneration policy.
Bidvest	Discussion on appropriateness and of the return and growth targets in the remuneration policy.
The Foschini Group	Engagement ahead of finalization of new Long-term Incentive plans.
Italtile	Engagement regarding internal succession plans.

Q4 2020	
Libstar	Concerns around metrics used (operating earnings vs. reported earnings), weightings attached to the metrics and share dilution as result of new share issuances.
Invicta	Engagement with non-executive director on exco remuneration and general strategy for new management regarding capital allocation going forward.
Bidvest	Management wanted feedback on why we voted against remuneration policy. Our issues were primarily the share-based settlement. It should be noted that the group bases returns on ROFE (excludes intangibles and goodwill). We do not believe that ROFE is an appropriate metric for Bidvest.
Bidcorp	AGM voting and remuneration discussions. Had a discussion with the CFO on the structuring of their debt and the fact that we voted against the convertible (resolution 8.0: creation of convertible debentures). We are not in favour of obscure funding sources and the group's balance sheet is sound with ample liquidity (22% of market cap) and does not require alternative sources of debt. Essentially we voted against due to unnecessary shareholder dilution.
Richemont	AGM voting – feedback to IR on our management meeting. Remuneration policy – in our opinion the policy must be a function of earnings growth, returns and free cash flow measures to ensure that capital allocation drives both short term and long term returns. Regarding the Board of Directors, we feel that both the size of the board and total compensation is high.
Mediclinic	AMG voting and remuneration discussions. We queried 50% of Short Term Incentive (STI) to be delivered in shares. Management confirmed that delivery is in shares and they buy back in the market, hence no existing shareholder dilution.