



# FOORD ASSET MANAGEMENT

STEWARDSHIP REPORT 2024

*Signatory of:*



**TABLE OF CONTENTS**

ESG POLICY .....3

PROXY VOTING POLICY .....5

PROXY VOTING SUMMARY — 2024.....6

ESG INTEGRATION PROCESS ENHANCEMENTS.....7

NOTABLE ENGAGEMENTS.....8

## ESG POLICY

Foord Asset Management's investment funds neither promote environmental, social and governance (ESG) factors nor have specific sustainable objectives. However, Foord brings a stewardship ethos to the management of investors' capital and integrates ESG factors into its fund management activities. This policy document explains how Foord incorporates ESG factors into its research and portfolio management process and supplements the investment approach and stewardship material published on [www.foord.co.za](http://www.foord.co.za).

### Introduction

As long-term investors, the enduring sustainability of income streams is fundamental to Foord's investment philosophy. Foord considers ESG factors in its formal macro view, economic and earnings forecasts, probability analysis and top-down asset allocation. Foord also uses ESG factors as a subjective measure to rank attractively priced companies or when evaluating management of investee entities.

- Environmental factors include climate change management, protection of water and marine resources, stewardship of biodiversity and ecosystems and pollution control
- Social factors include customer satisfaction, diversity issues, privacy and data protection, community relations and labour standards
- Governance factors include the standards applied to running companies, bribery and corruption, lobbying, audit and financial reporting and employee and director remuneration.

As ESG factors may have an adverse impact on investee entity income streams, careful consideration of these factors before investment is instrumental in shaping Foord's view of the long-term sustainability and longevity of investee entities. Foord therefore integrates sustainability risks into its investment decision-making process for investor mandates but does not specifically prohibit investment in any given sector or industry.

### ESG risk management

Foord does not manage ESG risks by applying aggregate limits on specific economic sectors or setting caps, for example on carbon emissions, for its investment portfolios. It does, however, commit to incrementally improve the individual and aggregate ESG risk scores for portfolio investments. As ESG risks have a potential impact on the sustainable finance within the investment horizon of its investment funds, Foord scores ESG risks for individual investments using the probability/outcome ESG Risk Scoring Matrix that follows.

### ESG Risk Scoring Matrix

	Consequence of ESG risks		
	For example, financial or reputational loss, client complaints, adverse media coverage, adverse effect on revenue, adverse effect on integrity of market, ESG fines, penalties or litigation.		
Probability of risk manifesting	Low	Medium	High
High (Will probably occur)	Medium risk	High risk	Extreme risk
Medium (May occur)	Low risk	Medium risk	High risk
Low (Occurs very infrequently)	Negligible risk	Low risk	Medium risk

After scoring ESG risks for each investment, Foord commits to:

ESG RISK CATEGORY		FOORD'S COMMITMENT
Negligible risk	Low risk	Monitor investee entity's ESG risks and engage as needed.
Medium risk	High risk	Influence investee entities through management engagement and shareholder votes to support suitable ESG initiatives and shape positive ESG outcomes.
Extreme risk		Avoid investing in such securities and divest if apposite.

### Stewardship and voting policy

Foord owes a fiduciary duty to investors to vote on investee entity resolutions in a manner that preserves and enhances investors' interests. In terms of Foord's voting policy on ESG issues, Foord will vote on every ESG-related resolution to improve the long-term ESG outcomes of investee entities. Foord will support resolutions that promote the integration of ESG factors into the investee entity's strategy and those which serve to improve sustainable business practices.

## PROXY VOTING POLICY

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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 — 2024

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	13	85%	15%	0%
Auditor/Risk/Social/Ethics related	148	99%	1%	0%
Buy Back Shares	34	97%	3%	0%
Director Remuneration	139	99%	1%	0%
Dis-apply Preemptive Rights	4	0%	100%	0%
Dividend Related	7	100%	0%	0%
Issue Shares	27	0%	100%	0%
Loan / Financial Assistance	34	38%	72%	0%
Other	28	82%	18%	0%
Political Expenditure/Donation	1	0%	100%	0%
Re-organisation	6	0%	100%	0%
Re/Elect Director	171	98%	2%	0%
Remuneration Policy	62	60%	40%	0%
Shares under Director Control	13	0%	100%	0%
Signature of Documents	10	100%	0%	0%
	<b>697</b>			

FOREIGN COMPONENT (FOORD INTERNATIONAL FUND)	NUMBER	FOR	AGAINST	ABSTAIN
Adopt Financials	22	100%	0%	0%
Auditor/Risk/Social/Ethics related	47	79%	21%	0%
Buy Back Shares	16	88%	13%	0%
Dividend Related	14	93%	7%	0%
Issue Shares	23	0%	100%	0%
Loan/Financial Assistance	1	0%	100%	0%
Others	1	100%	0%	0%
Political Expenditure/Donation	1	100%	0%	0%
Re/Elect Director or members of supervisory board	297	100%	0%	0%
Shares under Director Control	4	50%	50%	0%
Remuneration Policy incl. directors' remuneration	64	39%	61%	0%
Signature of Documents/ Ratification	31	81%	19%	0%
	<b>521</b>			

FOREIGN COMPONENT (FOORD GLOBAL EQUITY FUND)	NUMBER	FOR	AGAINST	ABSTAIN
Adopt Financials	36	100%	0%	0%
Auditor/Risk/Social/Ethics related	93	77%	23%	0%
Buy Back Shares	24	96%	4%	0%
Dividend Related	20	100%	0%	0%
Issue Shares	47	0%	100%	0%
Others	1	100%	0%	0%
Loan/Financial Assistance	1	0%	100%	0%
Political Expenditure/Donation	2	100%	0%	0%
Re/Elect Director or members of supervisory board	510	100%	0%	0%
Remuneration Policy including directors'	89	34%	66%	0%
Shares under Director Control	5	40%	60%	0%
Signature of Documents/ Ratification	40	88%	12%	0%
	<b>868</b>			

## ESG INTEGRATION PROCESS ENHANCEMENTS

Foord has maintained a comprehensive ESG policy for an extended period, with the investment team consistently advancing the incorporation of ESG factors into investment decision-making and portfolio reporting. Following the last reporting period, Foord successfully incorporated security-level ESG scores, dating back eight years, into the firm's portfolio management database. This integration enables automated reporting on ESG scores at both product and security levels across various mandates. The scores are derived from third-party assessments provided by Peresec, complemented by Foord's adjustments as necessary.

Additionally, the firm has enlisted Sustainalytics, an international third-party ESG data provider to augment the scope and quality of ESG data. These reports are on a fund level and security level and provide the ESG Risk score, Risk Exposure and the individual E,S,G Risk Scores provides another tool for the Portfolio Managers to better monitor the ESG risk in the fund.

However, the main ESG tool used by the research team is Foord's ESG Risk Scoring Matrix. The analyst covering the stock is best positioned in the team to identify the various ESG risks and to assess the consequence and probability of those risks. Thus, the analyst is responsible to maintain and determine the overall risk rating of the company which is debated internally with the team. The portfolio managers would then augment all three sources to manage the ESG risk in the portfolios.

## NOTABLE ENGAGEMENTS

COMPANY	NATURE OF ENGAGEMENT	DETAILS
<b>QUARTER 1 2024</b>		
<b>Life Healthcare</b>	Governance - AGM and remuneration policy	We liaised with the Human Resources department and the Board of Life Healthcare regarding the remuneration policy. It has been enhanced and transitioned to a Single Incentive Plan, with an adjustment in the weighting of financial metrics from 50% to 65%. Despite these improvements, we persist in voting against the policy due to the absence of clarity regarding the target for Headline Earnings Per Share (HEPS). The previous year's target was set at a level that we deemed insufficiently challenging, yet it offered a high vesting rate of 200%, leading to doubts about the adequacy of current targets.
<b>Netcare</b>	Social	We have deliberated on the risks associated with shortages of specialists and nursing staff, as well as the measures to mitigate these risks. There's a possibility that the Department of Health (DOH) is considering reducing or eliminating community service programs as a cost-saving measure. One potential avenue for addressing the shortage of specialists is for Netcare to assist in funding specialist training positions. A recommendation from a government study suggests that the private sector should play a role in training specialists to prevent a situation akin to the crises faced by Transnet and Eskom. Fortunately, Netcare currently has an adequate number of nurses to accommodate the increasing bed occupancies, mitigating any significant issues in the short to medium term.
<b>Spar</b>	Governance	We have explored strategies for Spar to enhance the controls and audit procedures for the implementation of the SAP system and the new warehousing system. To address this risk, Spar will engage external consultants to oversee the audit process, ensuring that the integration is conducted accurately to minimize errors. Additionally, they plan to conduct thorough testing of the system on Build IT and Tops before rolling it out to grocery stores.
<b>QUARTER 2 2024</b>		
<b>Afrimat Limited</b>	Environmental Impact and Community Engagement	<p>Attended an annual investor day, where in-depth discussions were held with management about:</p> <ul style="list-style-type: none"> <li>- the environmental impact of mining activities and successful efforts to reduce diesel usage in the both Bulk and Quarrying divisions</li> <li>- the vital role of community engagement at the Nkomati Mine; where community relocation and local employment were critical to the successful ramp-up of operations</li> <li>- the integration of the recently acquired Lafarge Business, which will allow greater use of fly-ash (a low-carbon substitute) in cement production</li> </ul> <p>Management has saved nearly 10 million litres of diesel through an in-house efficiency drive, since July 2021 and have integrated new environmentally related KPI's into senior and lower management incentive structures. Extensive community engagement, including meeting with tribal leaders, has resulted in a successful turnaround at the Nkomati Mine, which was purchased out of business rescue, and has result in material uptick in local employment.</p>
<b>Fortress B</b>	Governance - Remuneration	Extensive discussions around Remuneration Policy and changes required to align shareholder and management incentives. Detailed discussions around loans to management and terms under which these loans will be written down or off.
<b>Jubilee Metals</b>	Environmental Impact and	Arranged a catch-up call with Management to discuss the roll-out strategy of copper operations in Zambia.



	Community Engagement	<ul style="list-style-type: none"> <li>- Part of the strategy relates to the reprocessing of old tailings dams, which poses as a health risk to local communities. This continues to be executed on.</li> <li>- The processing plants have been specifically designed to be low-energy, low-water facilities; which is vitally important in Zambia; where local communities faced constrained supply of both.</li> </ul> <p>Furthermore, the Zambian staff compliment is almost entirely local; driving empowered and supportive communities.</p>
<b>Dis-Chem</b>	Governance	Extensive discussion on the details of the related party transaction of OneSpark, a company in which the Chairman has a shareholding.
<b>QUARTER 3 2024</b>		
<b>Premier Group Limited</b>	Governance - Remuneration	<p>We engaged with Premier management regarding the composition of their Board of Directors, which currently consists of eight members with equal representation of non-executive and executive/Brait-linked directors. We recommended the addition of one more non-executive director to achieve a majority. Premier noted that it had appointed four new directors in the past year, making it challenging to add another director this year.</p> <p>Additionally, it was highlighted that the two Brait-linked directors would step down following the Brait divestiture, which would result in a majority of non-executive directors and address our concern. Premier is actively seeking a new non-executive director for appointment next year and has engaged with us for recommendations.</p> <p>We also discussed the issue of dilution arising from equity-settled options, advocating for the repurchase of these shares from the market. While Premier concurred with our perspective, they cited limitations due to the current low liquidity of the stock. They plan to initiate share buybacks in the market following the Brait divestiture, which is expected to enhance liquidity.</p>
<b>Omnia</b>	AGM voting and remuneration	Foord voted against the Remuneration Policy, noting that while the remuneration structure has improved in recent years, the long-term incentive (LTI) performance measures remain insufficiently rigorous. Additionally, concerns were raised regarding the comparator group used for the relative Total Shareholder Return (TSR) measurement.
<b>Prosus</b>	Remuneration Policy	<p>Investor Relations clarified that the remuneration policy outlined in the Annual Report will not apply to Fabrizio, the new CEO, whose remuneration package will differ significantly. The aim is to address certain legacy issues associated with the existing policy.</p> <p>It was confirmed that the Ecommerce Share Appreciation Rights (SAR) scheme is evaluated on a per-share basis, meaning that if new acquisitions occur, shares will be issued based on the current valuation. Fabrizio requested a compensation structure focused on performance delivery, which is reflected in the relatively low base salary. This figure has been influenced by the high calibre of the individual they are seeking to attract, as securing the right candidate has proven challenging due to existing commitments at other companies.</p> <p>However, Investor Relations expressed confidence that Fabrizio is not solely driven by financial incentives. He possesses ambitious goals and often cites Elon Musk as a source of inspiration.</p> <p>Concerns have emerged in the market regarding the "Moonshot" initiative being tied to market capitalization, which could inadvertently promote empire-building behaviour. Craig Enstein, the head of the remuneration committee, stated that this was not an intentional design and intends to provide additional clarification on the matter.</p>

<b>Life Healthcare</b>	Remuneration	<p>We advised the Remuneration Committee to include greater detail on Key Performance Indicators (KPIs) by specifying thresholds, targets, and stretch goals. Additionally, we recommended providing more clarity on the calculations for Cash Flow Return on Investment (CFROI) and Weighted Average Cost of Capital (WACC). It was also suggested that the performance measures incorporate more long-term metrics.</p> <p>Furthermore, we discussed the social implications of nursing shortages, noting improvements due to Life Training's capacity to train 800 nurses annually, with the potential to increase to 3,000. However, we expressed concern over the rising turnover rates among radiology staff. Fortunately, the organization has been able to swiftly replace these employees at comparable salaries.</p>
<b>Prosus</b>	Remuneration	<p>We discussed the continued incentives awarded to Bob Van Dijk despite the value destruction experienced by shareholders. Kaeleen explained that he benefited when the incentive schemes were linked to shareholder returns, particularly due to the value created by Tencent. Subsequently, when the focus shifted to the e-commerce portfolio, he continued to receive incentives during a period of elevated valuations. Legally, Prosus determined that they were not in a strong position to withhold payment for the final vesting amounts.</p>
<b>QUARTER 4 2024</b>		
<b>City Lodge</b>	Environmental	<p>As part of a routine check-in, a meeting was held with management to discuss various operational matters. The discussion included an inquiry into environmental sustainability efforts, with a particular focus on water management, given the developing water crisis in Johannesburg. Management confirmed that approximately 70% of the FY25 capital budget is allocated to water sustainability projects.</p>
<b>Metair</b>	Audit & Risk, Remuneration, Investment and Social & Ethics	<p>A meeting was conducted to engage with the Board regarding their responsibilities, including Audit &amp; Risk, recent investment decisions, remuneration, and related policies. Discussions also covered Social and Ethics initiatives. The engagement was considered valuable, providing an opportunity to communicate concerns and expectations to the Board.</p>
<b>FirstRand</b>	Remuneration Policy	<p>Discussions focused on the following key areas:</p> <p>Commission Practices – An examination of current and historical commission practices employed by FSR in the UK, particularly within MotoNovo, including the extent to which these practices may have created conflicts of interest and the potential harm caused to consumers.</p> <p>Governance Oversight – Concerns were raised regarding the adequacy of governance structures in overseeing such practices.</p> <p>Regulatory and Industry Impact – An assessment of the potential implications of the impending UK Supreme Court decision on historical commission arrangements, particularly its impact on the future sustainability of the UK motor finance industry and consumer choices and welfare.</p>
<b>Spear Reit</b>	Environmental	<p>A meeting was held with management to review recent results, during which the topic of wheeling was discussed. In conjunction with the ongoing solar program — which has resulted in a more than fourfold increase in kWp production over the past five years — wheeling was identified as an additional strategy for Spear to reduce carbon emissions. Furthermore, this initiative contributes positively to green energy generation in the Western Cape.</p>
<b>Afrimat</b>	Social Governance & Environmental	<p>A meeting was hosted with management to discuss various topics, including the employment implications of the acquisition of Lafarge SA. Management confirmed that the acquisition would result in job creation with no</p>

	Impact of Products	<p>retrenchment programs planned. Additionally, they reported traveling to Lichtenburg to reaffirm their commitment to the local community.</p> <p>Beyond employment considerations, discussions included a detailed review of a new cement product incorporating fly ash, a by-product of coal power plants, as an extender. This innovation is expected to reduce reliance on high-carbon clinker, positioning the product as a first-of-its-kind and a pioneering development within the sector.</p>
<b>FirstRand</b>	Social: State of SA debt review process	<p>The engagement focused on the current state and functioning of the South African debt review market. Discussions centred on the impact of bad actors within the market and how they were adversely affecting consumer outcomes. The conversation also explored the level of protection, or potential harm, being afforded to borrowers within the broader debt review process in South Africa.</p>