

## 1. Scope and Purpose

The Prescient Investment Management (Pty) Ltd (“Prescient”) Proxy Voting Policy stipulates the firm’s approach to developing and upholding good corporate governance principles and business practices on voting on various resolutions on behalf of our clients in a responsible and sustainable manner. The principles outlined in this policy apply across the various geographical investment universes and asset classes we invest in, with the purpose of ensuring the effective implementation of the firm’s responsible investing policy mandate. This policy should be read in conjunction with the responsible investing policy, the Environmental, Social & Governance (ESG) Policy, and the Engagement Policy.

## 2. Corporate Governance

Prescient believes that governance frameworks should recognise the interests and rights of all stakeholders (shareholders, employees, community and environment) and thereby seek a responsible and sustainable co-alignment in these for the long term. It is for this reason that we have adopted transparency, accountability, fairness, independence and high ethical standards as the key guiding principles of our business practices.

Prescient as an appointed investment manager supports the shareholder activism philosophy and processes and therefore incorporates these into both the upfront investment process as well as ongoing requirements such as proxy voting. Prescient also recognises the importance of Broad-Based Black Economic Empowerment and as such, will always carefully consider issues related to B-BBEE principles when carrying out proxy votes.

Prescient is approved by the Financial Sector Conduct Authority (FSCA) to operate as a discretionary financial services provider in terms of the Financial Advisory and Intermediary Services Act of 2002. In terms of this Act and associated regulations, Prescient is required to uphold the conditions set by the FSCA which champion the protection of the interests of asset owners.

Prescient is a signatory to the United Nations Principles for Responsible Investment (UNPRI) and adheres to Principle 2, which speaks to the commitment of signatories to be active owners and integrate ESG issues into their ownership policies and practices. In addition, we adhere to the Code for Responsible Investing in South Africa (CRISA 2), which correlates with the UNPRI.

## 3. Proxy Voting Policy

Prescient owes a fiduciary duty to its clients, who are the beneficial owners of any underlying investments under its management, to exercise any voting rights attached to those investments in a manner that ensures that the clients’ long-term economic interests are served, and this means enhancing and preserving shareholder/debtholder value.

As the appointed portfolio manager, Prescient invests money on behalf of its clients through the management of segregated and other portfolios, largely in companies listed on the Johannesburg Stock Exchange (JSE), as well as corporate debt issuances. Corporate behaviours that diverge from the interests of investors, including abuses, are more inclined to occur within an environment of shareholder/debtholder apathy and shareholders/debtholders therefore share the responsibility for protecting the value of their investments against potentially harmful management decisions and organisational behaviours.

### 3.1. Guiding principles of proxy voting

In order to effectively discharge this responsibility on behalf of our clients, our standard portfolio management agreements mandate us to vote on behalf of clients in respect of their investments. Accordingly, Prescient has determined the following guiding principles in respect of voting on behalf of clients:

1. Prescient will apply its mind to all matters requiring the voting of clients' investments, irrespective of whether the number of votes cast may affect the outcome of the voting.
2. Prescient is obliged to actively participate in corporate actions requiring a vote in respect of securities which comprise, in aggregate across all client portfolios, more than 1% of the issued share capital of a company.
3. Notwithstanding point 2 above, voting will not automatically or passively be initiated or outsourced in respect of issues of governance. Should the relevant portfolio manager be aware of any such matter and require voting to be undertaken, he/she must issue a specific instruction to this effect.
4. All other voting matters, including but not limited to, the approval of take-overs, mergers or disposals, amendments to the memorandum and/or articles of association, capital restructurings and amendments to share option schemes, are referred to the portfolio managers for a decision.
5. Clients' votes will only be committed in advance and unconditionally where Prescient has a specific documented mandate from the client to do so.
6. In instances where a voting matter is deemed sufficiently material or contentious by the relevant portfolio manager, the client will be contacted in advance and advised of Prescient's proposed vote. The client will be provided with enough information regarding the voting matter and given the opportunity to agree or disagree with our proposed vote. Where the client disagrees with the proposed vote, Prescient will instruct the custodian to vote according to the client's instruction, as clients always retain the right to vote their shares.
7. Prescient will not report to clients its voting actions in respect of any corporate action, unless specifically requested to do so by clients in advance of the vote.
8. Prescient undertakes to retain an appropriate record of each event requiring a vote. Records will be stored electronically and will be available to clients on request. We owe all our clients a duty of transparency, and clients will therefore be provided with complete voting information in respect of investments held in their portfolios, should this be requested.
9. A summarised report of all proxies voted on behalf of clients with respect to listed equity holdings will be made available on the Prescient website and will be updated on a quarterly basis.

### 3.2. Objectives of proxy voting guidelines

The attributes our proxy voting guidelines aim to promote are:

- **Consistency**, when voting on all issues within the bounds of good corporate governance and corporate sustainability.
- **The long-term economic interest of our clients**, by aligning corporate behaviours with all stakeholders' interests.
- **Accountability**, of management to investors and regulators.
- **Sustainability**, as good corporate governance fosters financial, organisational, social and environmental sustainability.

## 4. Debt Capital Market Proxy Voting Policy

Debt issuers issue listed debt instruments under the Domestic Medium-Term Note Programme (DMTN), which is registered with the JSE. The listing of the programme/instruments must comply with the JSE Debt Listings Requirements (DLR), which are compiled with participation from the debt investor market. Prescient participates in the consultative process of influencing DLRs that best protect investors through Prescient's active participation in initiatives run by industry body, ASISA. The improvement of DLRs is an ongoing process. Each debt instrument issued under the DMTN programme has a Pricing Supplement document stipulating its unique characteristics, such as tenor, instrument type, yield and specific covenants – over and above the ones on the DMTN programme. Furthermore, each company has a specific obligation under its programme.

### 4.1. Debt covenants

The debt covenants which debt investors can influence, upon listing of the programme or the instrument, include, but are not limited to:

1. Failure to maintain debt listings requirements
2. Change of control restriction
3. Adverse credit rating changes
4. Negative pledge clause
5. Breach of specific financial covenants (LTV, ICR, D/E etc)
6. Other factors

## **GUIDING PRINCIPLES**

### **4.1.1 Debt Listings Requirements**

Compliance with the Debt Listings Requirements (DLR) is fundamental, without which investment in those securities would not be permitted. The underlying principle for the above covenants is the proper management of the relationship between shareholders, debtholders, and management. This is intended to maintain a certain level of debtholder protection since they do not vote on operational and management matters.

### **4.1.2 Change of Control Restriction**

The change of control restriction is intended to align the investment to the current strategy. Change of control often comes with a new strategic focus that may influence the view to remain invested. A change of control would trigger a call option. Prescient would need to be fully appraised of the new strategy, post change of control, and be satisfied that this would not adversely affect the investment materially, in order for Prescient to remain invested.

### **4.1.3 Adverse Credit Rating Changes**

Downgrade triggers provide protection for an unforeseen rapid credit rating downgrade of a company, that would disqualify the investment or cause its holding in the portfolio to breach the mandate. This is an exit strategy for companies whose risk profiles change drastically, to the extent that they no longer meet the credit risk criteria.

### **4.1.4 Negative Pledge Clause**

This covenant is intended to manage moral hazards between debt holders and equity holders. Negative pledge restricts the company from selling all/certain assets. This enables a certain amount of recovery in the business in the event of default.

### **4.1.5 Financial Ratio Covenants**

A mechanism to limit management from over-indebting the company is instituted by having financial covenants. The intention is to maintain specific levels of liquidity, solvency and capital structure to constrain reckless business operations.

### **4.1.6 Other Factors**

Other factors that normally require alteration to the programme include:

- Changes in law (or legal interpretation),
- Changes in the programme size or
- When the company needs to align with market best practice.

When/if a need arises to make changes to the legal documents, the issuer shall seek permission from noteholders. This is facilitated by a bank that is a designated debt sponsor on the programme.

## **4.2. Proxy voting process overview**

The proxy voting is conducted at an instrument level – which means changes on the programme shall also be effected on every instrument issued under the programme. The assigned portfolio manager, on behalf of the funds holding those securities, shall exercise his fiduciary responsibility and submit the proxy vote to the Central Securities Depository Participant (CSDP) in accordance with DLRs stipulated timelines. All proxy voting is also sent to the debt sponsor.

All Prescient's signed proxy votes are exercised after a thorough analysis of the impact of the changes to the clients' investments. We also have bilateral securities with issuers where we have much leeway to enforce our preferred and much more stringent covenants than those provided by the DMTN. Although we remain *pari passu* with other creditors, this practice provides the room to trigger defaults (if any) or detect credit stress far earlier than other creditors.

## 5. Listed Equity Proxy Voting Process

As the appointed fund manager, Prescient understands that it bears a fiduciary responsibility to manage investments in a manner that best serves our clients' long-term economic interests. Corporate behaviours that diverge from the interests of investors are more likely to occur within an environment of stakeholder apathy. For this reason, fund managers must assume the responsibility of protecting the value of their clients' investments against potentially harmful management decisions and organisational behaviours.

### 5.1. Guidelines on specific governance issues and resolutions

The broad areas of concern from a governance perspective are:

1. Board Structure and Leadership
2. Appointment of Directors
3. Remuneration Practice
4. Capital Structure
5. Auditing and Accounting
6. Integrated Sustainability and Reporting
7. Governance of Risk
8. Compliance with Laws and Rules

General meetings require shareholders to vote on these and other issues. Shareholders, directly or indirectly, must be proactive in ensuring that the management of a company is applying best practice and increasing shareholder value, with due consideration to affected shareholders. In the following sections, the material factors to consider and our resulting guiding principles for the aforementioned areas of potential concern are highlighted. We also consider interactions between various governance factors to monitor the possibility of patterns of reinforcing value-destructive behaviour/incentives within organisations.

#### 5.1.1 board structure and leadership

##### Guiding principles

From a governance perspective, we are concerned with ensuring that the board sets the agenda for management, and not the other way around. The board should comprise an appropriate balance between executive and experienced non-executive directors who can act independently and represent shareholder interests. The following factors are relevant:

- Composition – Size, independence, diversity and demographics
- Process of board appointment (see more detail below)
- Role and function of the board and committees
- Key sub-committees – e.g., audit, remuneration, nominations
- Separation of roles and duties of Chairman and CEO
- Internal audit functions and processes
- Strategic direction
- Formal mandates for board and key committees
- Board performance reviews and evaluation process
- Board channels of engagement with shareholders

##### Proxy Voting Guidelines for Resolution

- Vote against proposals to vary the size and composition of the board, or to give management the ability to alter the size/composition of the board, unless clearly motivated.

## **5.1.2 APPOINTMENT OF DIRECTORS**

### Guiding principles

Director appointment is seen as one of the most important issues. The following factors are considered relevant:

- Independence
- Experience and diversity
- Attendance of board and committee meetings
- Prescribed term of office and rotation
- Related party disclosure – need full disclosure
- Independent nominations committee
- Other directorships or conflict of interest
- Succession, development plan and director education

### **Proxy Voting Guidelines for Resolutions**

The majority of board members should be independent with the criteria for independence guided as follows:

- Where a proposed director is a former executive of the company, or of an acquired subsidiary, or has any other links to members of management or to specific shareholder groups, independence must be questioned.
- A proposed director who is linked to the company's auditors or legal counsel should not be regarded as independent.
- Directors should be appointed and removed at the shareholders' discretion, with all directors re-elected annually.
- At re-election, each directors' past attendance and record must be considered. Generally, vote to accept if the director has gone through the formal appointment process, unless the director does not meet the criteria of independence, does not have the necessary skills or experience, or exceeds the appointment term.
- Vote against clauses that protect directors from removal, including extending term limits. Exceedingly long board membership with no change merits scrutiny.

## **5.1.3 REMUNERATION PRACTICE**

### Guiding Principles

The levels of remuneration clearly have an impact on company performance and therefore shareholder returns. Performance evaluation and remuneration policies and practice must be transparent. Above all, it is important that the incentives embedded in the remuneration models co-align management and staff with the short-, medium- and long-term objectives of sustainable wealth creation that we espouse. The following factors are considered relevant:

- Remuneration practice and methodologies specifically incentive remuneration models, including share incentive schemes.
- The independence of the remuneration committee.
- The transparency of incentive systems to shareholders, including director and executive share ownership disclosure.

### *Proxy Voting Guidelines for Resolutions*

To approve the remuneration of directors

- Generally, vote to accept, unless unacceptably high remuneration.
- Companies should have a remuneration committee constituted in accordance with best practice, responsible for recommending remuneration, with agreed terms of reference to the board.
- The chairman of the company should not also chair the remuneration committee or the audit committee.
- All other benefits must be considered and disclosed.
- Disclosure of executive remuneration.
- Full disclosure is regarded as best practice. This not only comprises the aggregate amount of key executive remuneration, but also its composition as to basic pay and benefits, retirement benefits, bonus incentives and share incentives.
- The composition should be balanced and neither incentivise risk-seeking nor reward inactivity.
- Pay for performance principles should be defined and disclosed and judged to be in shareholder interests. They should reward sustainable shareholder value creation and not growth in turnover, earnings per share or other targets that encourage excessive risk-taking.

- Guaranteed executive remuneration packages is a harmful practice.
- Deferred compensation scheme is a questionable practice.
- Retirement benefit top-up scheme is a questionable practice.

### Adoption of share incentive schemes

- Accept only if all details are disclosed, and the scheme model delivers enhanced alignment with shareholder interests.
- Caution if the overall scheme size is too large, either in relation to share capital or in relation to executive remuneration scheme.
- Where “in-the-money” options are envisaged in terms of such schemes, vote against.
- Where incentive shares are funded by the company at subsidised interest rates, vote against.
- Where the scheme gives management the election to take up backdated share incentives at a favourable entry price, vote against.
- Pay attention to “burn rate”, i.e., the rate at which past incentive scheme shares have been issued to and encashed by management, as a too-rapid rate represents a short-term incentive not aligned with shareholder interests.
- Be cautious when the pattern of share incentive issue favours a small number of top executives and does not extend down into the organisation.
- Be aware of the possibility of specific share repurchases being used to enable managers to exit their incentive shares, as this practice is potentially destructive of shareholder value.
- Be cautious of the repricing or replacement of share incentives that are “underwater”.

### 5.1.4 CAPITAL STRUCTURE

#### Guiding Principles

The creation and issue of new shares and the purchase/cancellation of existing shares are critical factors, as a wide range of abuses is possible, many of which can enrich select shareholder clienteles at the expense of shareholders at large. We therefore pay attention to these issues and emphasise not placing blanket control over the issue and the repurchase of shares in the hands of managers.

Beyond this, we are concerned with monitoring the assumption of financial risk and the payment of dividends to ensure that they are all congruent with sustainability and shareholder value creation agendas. The following factors are considered relevant:

- All authorities or transactions requiring the issue of new shares or the repurchase of existing shares
- Shareholders’ rights and powers
- Voting rights and requirements
- Changes to authorised share capital
- Alteration of Memorandum and Articles of Association
- Minority protection
- Control structure
- Rights of pre-emption
- Borrowing powers
- Dividend policy
- M&A activity
- Corporate actions

#### Proxy Voting Guidelines for Resolutions

To grant the directors a general authority to distribute share capital and reserves

- Review each case on its merits. Full information required.

To place unissued shares under the control of the directors

- Generally, vote to decline if no compelling reasons are forwarded.
- Suggest that directors should not be given general authority to control issued or unissued shares.
- Any corporate actions or B-BBEE transactions will be dealt with on a case-by-case basis.

To give directors a general authority to allot and issue ordinary shares for cash

- Generally, decline if no compelling reasons are forwarded.
- Advisable to get shareholder approval on a case-by-case basis.

To authorise the directors to allot and issue preference shares for cash

- Generally, decline if no compelling reasons are forwarded.
- Advisable to get shareholders' approval on a case per case basis

To authorise the directors to issue convertible bonds, preference shares or other debt instruments for cash

- Generally, decline if no compelling reasons are put forward.
- Advisable to obtain shareholder approval on a case-by-case basis.

Provide authority for the Company or any of its subsidiaries to repurchase the Company's shares

- Generally, decline resolutions for a general authority. Consistent with our view on new share issues.
- If a buyback transaction is for sound reasons and non-dilutive, we would vote in favour.
- Share repurchases may impact on liquidity or free float, which could be harmful to investor interests.
- Vote in favour of resolutions to repurchase that will comprise a general offer to all shareholders.
- Vote against resolutions that involve authority to conduct a specific repurchase.
- Vote against resolutions for repurchase authorities that give management discretion to pay large premiums to prevailing market prices.

Amendment to the Articles of Association of the Company

- Review each case on its merits.
- Resolutions to convert authorised and issued share capital from par value to no-par value are consistent with the Companies Act, 2008.
- Proposals for the creation of new share classes or a variation of voting rights should be regarded with caution.

Payment to shareholders or declaration of a dividend

- Generally, accept.
- A change in dividend policy must be assessed on sustainability considerations.
- If companies propose to increase cover despite poor, i.e. low-ROE reinvestment opportunities, then such retention strategies are harmful to shareholders.
- If companies reduce cover where there are clear opportunities for high-ROE reinvestment, then such pay-out strategies may be negative for shareholders.
- If companies vote to offer capitalisation shares in lieu of dividends, this is equivalent to retention.

Resolutions relating to other corporate actions

- Review each proposal on its merits, with specific reference to the potential for transfers of shareholder wealth not matched by an enhancement to overall sustainability.
- If resolutions relate to a transaction of purchase or sale of an asset that is obviously earnings or value-accretive, vote in favour.
- Pay attention to the potential for synergies and rationalisation benefits. In the case of acquisitions, the business case for such benefits should rest on a variety of factors.
- If there are any suggestions that the valuation of the assets in a purchase or sale favours the second party or are not derived on an arms-length basis, vote against.
- Be cautious if a proposed transaction is value-accretive only because it is based on the potential for an anti-competitive outcome based on market consolidation. This may include a strategy of cost rationalisation through retrenchment.

### **5.1.5 AUDITING AND ACCOUNTING**

#### Guiding Principles

The integrity, assurance and true independence of the audit process and accounting and assurance policies of the company are integral to its transparency and governance. Conflicts of interest can impact on the principle of independence.

- Integrity, assurance and independence
- Structure and Conduct of Audit committee
- Full disclosure of the role of the audit firm, including non-audit services and revenues
- Internal audit function
- Ratification of auditors
- Auditor rotation – need a formal policy

#### Proxy Voting Guidelines for Resolutions

To receive/consider/adopt/approve the financial statements

- Generally, accept if the audit report is not qualified.
- There should be no negative issues that shareholders have not been made aware of.
- Must be as per GAAP or IFRS.

To appoint/reappoint the independent auditors

- Generally, accept unless they do not meet the criteria of independence or don't project the necessary skills and experience.
- There should be no conflicts of interest, directly or indirectly, including consultancy arrangements or board representations.
- The rotation of auditors is best practice and ensures independence.

To determine the Auditors' fees

- Generally, accept unless fee structure is unacceptably high.
- It is appropriate to seek the shareholders' direct approval for the Auditors' fees, rather than authorise the directors to approve it.

### **5.1.6 INTEGRATED SUSTAINABILITY AND REPORTING**

#### Guiding Principles

Understanding and integrating social, economic and environmental aspects (the so-called triple bottom line) into the framework of a company's day-to-day activities to achieve true long-term sustainability for an organisation. While these factors are hard to measure and judge and may impose costs on shareholders from time to time, companies' actions should be accountable for enhancing the long-term sustainability of earnings from which shareholder value creation will ultimately flow.

- Economic, social and environmental aspects of a company's activities
- Safety, health and environment – integrated into policies and procedures
- Code of Ethics – formal code to address conflicts of interest
- Stakeholder relations and engagement programmes
- Transformation – report on compliance and disclosure of violations
- Human rights – reflected and practised in Human Rights Policy
- Social & ethical accounting, auditing and reporting
- Workplace practices – committed to reducing accidents and fatalities
- Compliance – regulated by legislation, peer pressure and shareholder activism
- The financial impact of the above



## Proxy Voting Guidelines for Resolutions

### Resolutions relating to B-BBEE deals

- Review each proposal on its merits, with specific reference to the potential for transfers of shareholder wealth not matched by an enhancement to overall sustainability.
- In general, B-BBEE transactions must be viewed as supportive of the sustainability or longevity of the enterprise, pursuant to SA law and industry charters.
- B-BBEE transactions that favour a small number of individuals must be carefully considered.
- B-BBEE transactions that envisage an early exit by empowerment partners (i.e., not a long-term co-investment with shareholders) should be regarded with caution.
- Provided the dilution of existing shareholder wealth is not onerous, generally vote in support of such transactions.

### **5.1.7 GOVERNANCE OF RISK**

#### Guiding Principles

The board is accountable for, and must ensure that it has guidelines, systems and processes in place to identify, evaluate, monitor and prevent risks to the organisation's sustainability at all levels.

- Determine the levels of risk tolerance.
- Evaluation and monitoring processes and committees must be in place.
- The effectiveness of the risk management processes to be reviewed.
- Preventive, detective and responsive measures must be in place.
- An enterprise-wide approach, with specific consideration to the impacts on the business of the risks associated with Information Technology and a consideration of emerging risks.

### **5.1.8 COMPLIANCE WITH LAWS AND RULES**

#### Guiding Principles

- Companies must comply with applicable laws.
- Obligations, rights and protection of the company, stakeholders and shareholders.
- Monitor and keep up to date with regulatory changes and trends.

## Proxy Voting Guidelines for Resolutions

### Change the 21-day notice period for shareholder meetings

- Generally, decline unless there are justifiable, exceptional circumstances.

## **5.2. Proxy voting process overview**

Prescient currently actions all proxy voting via a global proxy advisory firm called the Institutional Shareholder Services group of companies (ISS), which is based in the UK and offers decades of corporate governance and proxy voting expertise. ISS provides Prescient with voting recommendations, a voting platform, as well as the submission of recorded votes to the custodian. In addition, detailed meetings, dates and recorded votes by Prescient are also provided.

Prescient's internal proxy voting register lists the Annual General Meetings and General Meetings for all of the companies in which we own shares and need to vote on behalf of clients. This register includes all historic meetings as well as upcoming meetings. Not only does it provide a historic account of how we voted, but it also records previous resolutions passed by the company. All this information is updated daily on the ISS platform.

## **6. Transparency**

The need for transparency and disclosure is becoming increasingly important. Keeping records of exercised proxy votes ensures transparency regarding the decisions we make on behalf of our investors. Furthermore, it enables us to supply

information on our record of proxy votes upon request, thereby strengthening our investors' trust in us and our overall processes.

## 7. Conclusion

Prescient applies a holistic, collaborative and integrated approach to proxy voting, as we believe that this aligns with our ESG integration guidelines, engagement guidelines and overall approach to responsible investing.

We believe we have a duty to ensure that management is held responsible for enhancing shareholder value, measured both on conventional shareholder wealth dimensions and broader stakeholder and sustainability dimensions. We endeavour to fulfil this duty through our commitment to be active owners and engrain ESG matters into our proxy voting process and overall daily activities as a business.

## POLICY AMENDMENT LOG

Effective Date	Pages	Authorised by	Amendment and Reasoning
March 2020	All	Bastian Teichgreeber (Head of Research)	First Draft
April 2020	All	David Jarman (Risk and Compliance)	Compliance Review
April 2020	All	Nadia Galloway (Legal)	Legal Review
April 2020	All	Shandré Snyman (Marketing)	Marketing Review
April 2020	All	Bastian Teichgreeber (Head of Research)	Final Draft
September 2020	All	Bastian Teichgreeber (Head of Research)	Annual Review
August 2021	All	Bastian Teichgreeber (Chief Investment Officer)	Annual Review
November 2022	All	Bastian Teichgreeber (Chief Investment Officer)	Annual Review
November 2023	All	Bastian Teichgreeber (Chief Investment Officer)	Annual Review and Legal Review

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