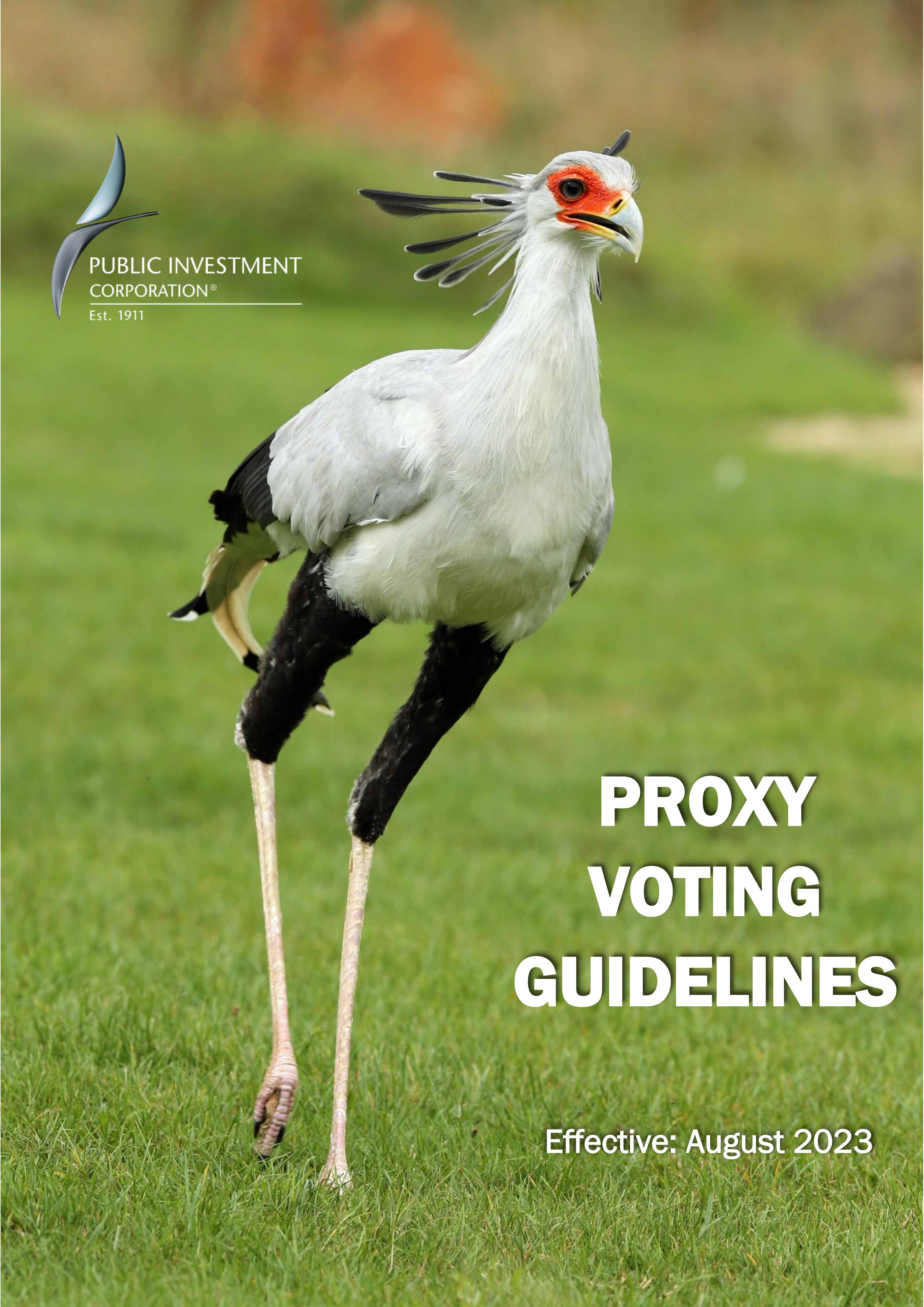

PUBLIC INVESTMENT CORPORATION®
Est. 1911

PROXY VOTING GUIDELINES

Effective: August 2023

CONTENTS

1. CHAPTER 1 – GENERAL

1.1. INTRODUCTION

The PIC was established in terms of the Public Investment Corporation Act 23 of 2004 to serve as a financial services provider in terms of the Financial Advisory and Intermediary Services Act, 2002 (37 of 2002). It is wholly owned by the Government of the Republic of South Africa. It manages funds on behalf of public sector institutions and is the largest asset manager on the African continent. As an asset manager, the PIC is licenced by the Financial Sector Conduct Authority (FSCA). PIC subscribes to high corporate governance standards as enshrined in applicable legislation, King IV Report of Corporate Governance for South Africa 2016 and other applicable governance standards. It maintains a well-established governance framework with a set of policies to guide implementation.

The PIC has a strong commitment to sustainable investing and is dedicated to incorporating ESG issues in the investment analysis and decision-making processes, as set out in the PIC's ESG Framework, that is the underpinning document that informs the development and content of this Guideline.

1.2. PURPOSE

This Guideline outlines the PIC's proxy voting guidelines, with a specific focus on voting at a typical shareholders' meeting. It serves as a reference document supporting both PIC engagement with Investees and voting at shareholders' meetings involving Investees.

The PIC views Active Ownership as a strategy for achieving higher long-term returns. Voting at shareholders' meetings and engagement with Investees are the cornerstones of Active Ownership. The PIC may make use of other best practice guidelines not necessarily mentioned in these Guidelines, therefore all shareholder proposals will be evaluated on a case-by-case basis.

1.3. SCOPE OF APPLICATION

These Guidelines apply to all Listed Equity Investment activities undertaken for and on behalf of the PIC and its clients in respect of both internally and externally managed funds.

PUBLIC INVESTMENT CORPORATION
Est. 1911

2. CHAPTER 2 – VOTING GUIDELINES

At the typical AGM, shareholders will be asked to approve the following:

- Adoption of Annual Financial Statements.
- Reappointment of external auditors.
- Re-election and Appointment of Directors.
- Confirmation of appointment of Directors.
- Election of Audit Committee members.
- Endorsement of remuneration policy and implementation report.
- Remuneration of Non-Executive Directors.
- General authority to repurchase shares.
- Financial assistance to related or inter-related company.

Non-routine items that are also often seen on South African agendas and require shareholder approval include:

- Approval of new equity incentive schemes or amendments to existing schemes.
- Amendments to the MOI.
- Black Economic Empowerment (BEE) transactions.
- Appointment of Social and Ethics Committee members.
- Social and Ethics Committee report.

2.1. THE INTEGRATED REPORT AND FINANCIAL STATEMENTS

The PIC will in the normal course of business support the resolution to approve integrated reports and financial statements, unless:

2.1.1. The information provided is not transparent and there are concerns about lack of integrity in the integrated financial reports.

2.1.2. The Investee has been rated as a laggard based on the ESG Metrics and the PIC has raised issues of concern or clarification with management or the Board of the Investee regarding disclosure of information or matters pertaining to the reports and those concerns were not addressed.

2.1.3. The information presented does not meet Corporate Governance and/or any non-financial disclosure reporting requirements and/or other industry-specific standards.

2.2. BOARD OF DIRECTORS

When voting on individual election of Directors of the Investee, the general principle will be for the PIC to evaluate an individual proposed to be elected to the Board of the Investee and also consider the entire Board composition. The assessment of the Board of the Investee will focus on the composition of the Board in terms of independence, Diversity, skills, qualifications and experience. The PIC shall vote in favour of nominees who can enhance the composition of the Board and in this regard, the PIC shall require the following:

2.2.1. The Board shall consist of a majority i.e. two thirds (66%) of non-executive directors; and

2.2.2. More than 50% (a majority) of the non-executive Directors should be independent.

2.3. PIC CLASSIFICATION OF AN INDEPENDENT DIRECTOR

2.3.1. The PIC defines an independent non-executive Director as a Director who:

2.3.1.1. Is not a representative of a shareholder who can control or significantly influence management of the Investee.

2.3.1.2. Has not been employed by the Investee or group in any executive capacity, or appointed as the designated auditor or partner in the group’s external audit firm or who was a legal or other adviser to the Investee or a partner of a law firm which rendered legal advice to the Investee during the preceding three years.

2.3.1.3. Is not a member of the immediate family of an individual who is or was in any of the past three financial years, employed by the Investee or the group in an executive capacity.

2.3.1.4. Does not have a direct or indirect interest in the Investee (including any parent company or subsidiary) which exceeds 5% of their personal wealth and/ or the value of the contract has a significant material value of 5% to their personal wealth.

2.3.1.5. Does not receive any remuneration from the Investee which is based on the performance of the Investee.

2.3.1.6. Does not get rewarded in shares and does not participate in any form of share option scheme of the Investee.

2.3.1.7. Is not a professional advisor to the company or group other than in a member's capacity as Director.

2.3.1.8. Is not a significant supplier to, or customer of the company or group.

2.3.1.9. Has no significant contractual relationship with the company or group.

2.3.1.10. Is free from any business or other relationships that could significantly or materially or could be seen to significantly or materially interfere with that individual's capacity to act independently.

2.3.1.11. Has not been on the Board for more than 9 years.

2.3.1.12. Who has no significant material conflicting cross-directorships with other Directors.

2.3.1.13. Who has no conflict of interests and related party interests (e.g., B-BBEE transactions) as defined by King IV.

2.3.2. The PIC shall vote in favour of the appointment of the Board of Director/s proposed, unless:

2.3.2.1. The external auditors' report expresses reservations concerning the Board's conduct in respect of the company, or reveals serious shortcomings in the exercise by the Director/s of their duties.

2.3.2.2. A proposed shareholders' resolution relating to the election of the Director concerned or other information provided in relation to the proposed election of the concerned Director/s reveals serious deficiencies in the Director/s' conduct in respect of the company's affairs.

2.3.2.3. Legal proceedings have been instituted or a criminal conviction brought against the Director/s concerned or the member of the supervisory board concerning the conduct of the company's affairs.

2.3.2.4. There is profound disagreement among the members of the Board concerning the management of the company's affairs or the Board's decisions.

2.3.2.5. Serious shortcomings in Corporate Governance constitute a major risk for the company and its stakeholders.

2.3.2.6. There is a strong deterioration in the company's financial situation owing to successive poor financial results or large impairments.

2.3.2.7. The remuneration report lacks proper disclosure and is not put to the non-binding advisory vote of the shareholders, where this practice is common in the market in question.

2.3.2.8. The Board of Directors has made decisions that constitute Material ESG contraventions.

2.3.2.9. There is company involvement in an accident that seriously harmed employees' health or the natural environment.

2.3.2.10. There are well-grounded accusations against the company for serious violations of the human rights of stakeholders.

2.3.2.11. The company has not made positive progress in the advancement of B-BBBE, particularly on gender and racial diversity.

2.4. ELECTION OR RE-ELECTION OF NON-EXECUTIVE DIRECTORS

2.4.1. The PIC shall vote for the election or re-election of Directors unless:

2.4.1.1. Information relating to the following is not disclosed:

2.4.1.1.1. Date of appointment onto the Board;

2.4.1.1.2. Attendance records of Board and sub-committee meetings by a Director concerned;

2.4.1.1.3. Other Board directorships;

2.4.1.1.4. Nominees are bundled into a single voting item (in contravention of section 68(2)(a) of the Companies Act);

2.4.1.1.5. There are specific concerns about the individual nominee, such as criminal wrongdoing or breach of fiduciary responsibilities or being disqualified or ineligible to be a director in terms of the Companies Act;

2.4.1.1.6. The nominee sits on Boards of more than five listed companies or major parastatals;

2.4.1.1.7. The nominee has a significant conflict of interest that is incompatible with the nominee's role as a Board member;

2.4.1.1.8. The nominee does not contribute towards the Diversity of the Board in terms of qualifications, experience, race, gender, age and culture;

2.4.1.1.9. The nominee has attended too few Board and committee meetings (in principle less than 75%) absent of compelling, reasonable and justified reasons;

2.4.1.1.10. The nominee is a non-independent non-executive director and the majority of the non-executive directors are not independent;

2.4.1.1.11. The nominee combines the roles of the Chairperson and CEO and the company has not provided an adequate explanation;

2.4.1.1.12. Under extraordinary circumstances, there is evidence of criminal actions related to the Director's service on other Boards that raise substantial doubts about the Director's ability to effectively oversee management and serve in the best interests of shareholders at any company;

2.4.1.1.13. The company has failed, as per the Companies Act, to present the members of the Audit Committee for re-election at the AGM, in which case, the PIC will vote against the Chairperson of the Audit Committee and the members; or

2.4.1.1.14. The nominee has previously been convicted of a criminal offence, in his/her personal or representative capacity on behalf of a company, in respect of any infringements of the law.

2.4.2. Further to this, the PIC, in voting for the re-election of Directors, will consider voting in favour of a Director only if the Director has performed satisfactorily in the past. In evaluating performance, the following will be considered:

2.4.2.1. The financial performance of the company during the Director's tenure on the Board;

2.4.2.2. The company's record as a good corporate citizen during the Director's tenure on the Board;

2.4.2.3. The Director's record in terms of ethical conduct, conflict of interests and exercise of independence;

2.4.2.4. The Director's performance on the Board as it relates to:

2.4.2.4.1. Inadequate audit and accounting-related practices;

2.4.2.4.2. Inadequate remuneration practices and implementation thereof;

2.4.2.4.3. Inadequate risk management practices and processes; and

2.4.2.4.4. Inadequate management of environment, social and Corporate Governance practices.

2.4.3. The PIC will vote in favour of the election of a new Director who is nominated to the Board if the following conditions are met:

2.4.3.1. The candidate has appropriate skills that complement rather than duplicate the existing skill set on the Board;

2.4.3.2. The candidate will enhance the Board's Diversity and composition in terms of qualifications, expertise, experience, race and gender;

2.4.3.3. The candidate is of appropriate calibre in terms of skill, knowledge, objectivity and experience to exercise judgment independent of management;

2.4.3.4. The candidate is fit and proper for the role and does not have a reputation of poor integrity or unethical conduct and has not previously been convicted of a criminal offence, in his/her personal or representative capacity on behalf of a company, in respect of any infringement of the law. The PIC will also consider corporate governance best practice in its determination of whether or not the candidate is deemed to be fit and proper

2.4.3.5. The candidate is able to bring the necessary dedication to the position in terms of time and commitment; and

2.4.3.6. The independence of the Board is enhanced and/or not affected by the election of the new member.

2.4.4 The PIC will vote against Directors should there be proof of non-performance on other boards of companies where the candidate is or used to be a Board member. The assessment of said non-performance will be limited to the exercise of board duties and responsibilities, and the PIC will consider the Director's involvement in the corporate governance failure of the relevant board.

2.4.5 The PIC has a ZERO racism policy and will exercise its voting accordingly should there be proof of such.

2.4.6 The PIC will vote against nominees appointed to the Board by lenders on any investee Company including on distressed investee companies without prior consultation with Shareholders

2.4.7 The PIC will vote against any Director / Non-Executive Director who assumes an Executive role, even for an interim period whilst the Company fills an executive vacancy.

2.5 ELECTION OR RE-ELECTION OF THE MEMBERS OF THE AUDIT COMMITTEE

2.5.1 The Audit Committee should consist of at least three independent non-executive Directors. Although the JSE Listings Requirements allow for the Chairperson to be a member of the Audit Committee, the PIC is of the view that:

2.5.1.1 As it is part of the Audit Committee's mandate to also oversee the affairs of the Board, the Chairperson of the Board should not serve on the Audit Committee.

2.5.1.2 In instances where the company is of the view that the Chairperson should be a member of the Audit Committee, such a decision should be fully motivated in the resolution dealing with the appointment of the Chairperson as a member of the Audit Committee. Further, there should be three other independent non-executive directors (if the Chairperson is appointed to the Audit Committee).

2.5.2 PIC will vote in favour of the re-election of the Audit Committee members, unless:

2.5.2.1 The Audit Committee member elections are put together as a single voting resolution item;

2.5.2.2 The nominee is not an independent non-executive Director as per the PIC definition in paragraph 2.3.1 above;

2.5.2.3 The nominee does not have a basic level of qualification and experience for Audit Committee membership;

2.5.2.4 The nominee has attended less than 75% of the Audit Committee meetings and the relevant absence lacked any disclosure of compelling, reasonable and justifiable reasons;

2.5.2.5 There have been negative decisions and outcomes on any one of the following:

2.5.2.5.1 integrated reporting, which includes financial reporting;

2.5.2.5.2 internal financial controls;

2.5.2.5.3 external audit process;

2.5.2.5.4 internal audit process;

2.5.2.5.5 corporate law;

2.5.2.5.6 risk management;

2.5.2.5.7 Material ESG and/or any Sustainability issues;

2.5.2.5.8 information technology governance as it relates to integrated reporting; and

2.5.2.5.9 the governance processes within the company.

2.5.3 Companies classified as banks under the Banks Act No. 94 of 1990 - section 64(4) of the Banks Act stipulates that the Directors of a bank are not required to recommend for appointment of the Audit Committee for shareholder approval as a stand-alone committee if the holding/controlling company of such bank has an Audit Committee which, in addition to its responsibilities in respect of such holding/controlling company, is able to also adequately assume the responsibilities of an Audit Committee in respect of such a bank. The board must apply to the Registrar of Banks for exemption from appointing an Audit Committee for the bank under section 64(4) of the Banks Act.

2.5.4 A company that is a subsidiary of another company is exempt from this requirement if the parent company has an Audit Committee and this Audit Committee will perform the functions of the Audit Committee on behalf of that subsidiary company.

2.6 REMUNERATION GOVERNANCE

2.6.1 Remuneration Committee

2.6.1.1 The PIC supports King IV recommendations that:

2.6.1.1.1 All members of the committee for remuneration should be non-executive directors, with the majority being independent.

2.6.1.1.2 The Chairperson of the Board may sit on the Remuneration Committee but should not serve as the Chairperson of the Remuneration Committee.

2.6.1.2 The PIC will vote against the election or appointment of the Chairperson and/or members of the remuneration committee if after numerous engagements there are no material changes and improvements as per the below:

2.6.1.3 The remuneration policy and implementation report is not put up for shareholder approval at the AGM;

2.6.1.4 The Chairperson of the Board also serves as Chairperson of the Remuneration Committee;

2.6.1.5 The remuneration report or other remuneration disclosure published by the company is materially inadequate and/or the company has materially amended the remuneration policy without shareholder approval;

2.6.1.6 The committee otherwise failed to demonstrate adequate competence in the handling of its responsibilities as it relates to remuneration matters; or

2.6.1.7 The committee has overstepped its powers as it relates to reasonable discretion allowed to reward executives.

2.6.2 Remuneration policy

2.6.2.1 The PIC supports the adoption of best practice guidelines in remuneration practices of companies. The PIC will review a company's remuneration practices on a case-by-case basis in line with best practice. Companies are encouraged to disclose their remuneration practices and key performance indicators in a specific, measurable, accurate, reliable and timely manner. The company's remuneration report should also include the performance as it relates to the KPIs that are set taking into account market sensitive information. The King IV Report recommends that shareholders of companies be provided the opportunity to pass separate non-binding advisory votes on the policy and the implementation report. The PIC evaluates Board of Directors' proposals seeking ratification of a company's remuneration policy on case-by-case basis. When assessing remuneration policies, the PIC generally recommends a vote in favour of the policy if the level of disclosure of the policy and/or its implementation enable shareholders to make an informed judgment on the policy. Any of the following would result in a vote against the policy:

2.6.2.1.1 The structure of the remuneration is not in line with the company's strategy, vision, mission and industry standard;

2.6.2.1.2 The remuneration policy has no disclosure of financial and non-financial indicators;

2.6.2.1.3 The company operates long-term incentive schemes (including matching shares) which do not have performance conditions attached for all awards, or if performance conditions are in place, however, they are not disclosed or are not considered sufficiently challenging or relevant;

2.6.2.1.4 The vesting period for long-term incentive schemes is set at less than three years;

2.6.2.1.5 The potential maximum dilution under all share incentive schemes exceeds 5 percent of the issued share capital of a large, widely held company, or 10 percent in the case of an emerging high-growth company, and there are no mitigating circumstances (e.g., stringent performance measures);

2.6.2.1.6 Discretion has been used during the year in a manner not considered consistent with shareholder interests;

2.6.2.1.7 The policy or the application of the policy is in any way not considered aligned with shareholder interests;

2.6.2.1.8 Performance targets, periods and/or measures have been altered without clear explanation, identification and justification;

2.6.2.1.9 Long-term incentive plan measures have been re-tested;

2.6.2.1.10 Lack of disclosure of employment contracts;

2.6.2.1.11 Lack of minimum shareholding requirements for executives;

2.6.2.1.12 Lack of linked incentive rewards to ESG targets where appropriate and relevant.

2.6.3 Implementation Report

2.6.3.1 In the event of satisfactory disclosure of a remuneration policy, the PIC recommends a vote for the approval of the implementation report on a case-by-case approach, paying particular attention to whether:

2.6.3.1.1 The fixed remuneration is excessively higher than the peer group;

2.6.3.1.2 Large increases in fixed remuneration have been implemented without adequate explanation;

2.6.3.1.3 The company has made bonus payments which are not clearly linked to yearly performance targets (including guaranteed bonuses or transaction bonuses);

2.6.3.1.4 The company has made ex-gratia payments or once-off special awards to executives during the year which have not been adequately explained.

2.7 NEW EQUITY INCENTIVE SCHEME OR AMENDMENT TO EXISTING SCHEMES

PIC evaluates management proposals seeking approval for a share incentive scheme on a case-by-case basis. When judging such items, the PIC will generally recommend a vote against implementation of a share incentive scheme if the level of disclosure on the proposal is below what is required for shareholders to make an informed judgment on the scheme. In the event of satisfactory disclosure, the PIC will recommend a vote for the proposal unless one or more of the following apply:

2.7.1 There are no performance conditions, measures, targets, distribution of weightings (including but not limited to ESG based performance measures where relevant);

2.7.2 Performance conditions are not considered sufficiently challenging or relevant;

2.7.3 There is only one financial/non-financial performance indicator;

2.7.4 Performance is measured over a period shorter than three years;

2.7.5 The plan allows for option re-pricing or issue of options at a discount or backdating of options;

2.7.6 The potential maximum dilution under all share incentive schemes exceeds 5 percent of the issued share capital of a large, widely held company, or 10 percent in the case of an emerging high-growth company, and there are no mitigating circumstances (e.g., stringent performance measures);

2.7.7 The scheme provides for potentially excessive individual awards or has no caps on individual participation;

2.7.8 Non-executive Directors are participants in the scheme; and

2.7.9 The scheme is in any way not considered to be aligned with shareholder interests.

2.8 FEES FOR NON-EXECUTIVE DIRECTORS

The PIC shall vote in favour of the fees payable to non-executive directors, unless:

2.8.1 The proposed fees are excessive, relative to similarly sized companies in the same sector.

2.8.2 Large increases have been implemented which have not been adequately explained.

2.9 AUDITORS' RE-APPOINTMENT AND REMUNERATION

The PIC will vote for the Board of Directors' proposal concerning the election or re-election of the external auditors or regarding the auditors' remuneration unless:

2.9.1 Notwithstanding Supreme Court of Appeal (SCA) ruling setting aside the 10 years mandatory audit firm rotation. The PIC will continue engaging Investee Companies on concerns regarding the external auditor's independence and will consider voting against the aforesaid re-election on a case by case basis. The information provided with regard to auditors' fees is insufficient to allow an informed assessment of the auditor's independence;

2.9.2 The fees paid to the external auditor for non-audit services exceed 25% of the fees paid for audit services;

2.9.3 The auditor or firm of auditors does not comply with sections 90(2) and 90(3) of the Companies Act or the independence of the external auditor is compromised by links between associates or officers of the auditing firm and/or the auditors in charge of the audit of the accounts and the company to be audited (Directors, major shareholders, Audit Committee members, officers, senior managers);

2.9.4 The PIC is aware of any other information, situation or relationship that reasonably places the auditor's independence into question;

2.9.5 There are serious concerns about the accounts presented, the audit procedures used, or some other feature for which the Audit Committee has responsibility; and

2.9.6 If it has been found that, following an investigation, the auditor expressed an incorrect opinion on the annual financial statements, or where the opinion had an inadequate basis in terms of the work done, or failed to detect a material irregularity.

2.9.7 Where the outcome of an independent investigation is still outstanding, the PIC will abstain from voting.

2.10 CAPITAL STRUCTURE

2.10.1 Placing Shares under Control of Directors

Resolutions for specific transactions should be put to shareholders at an annual general meeting for shareholders. The PIC views property companies differently and will treat the placing of linked units under the control of Directors on a case-by-case basis. The PIC shall vote for a general authority to place authorised but unissued ordinary shares under the control of the Directors, unless:

2.10.1.1 The proposal has a threshold of above 5% of the issued shares and/or other voting instruments in the share capital of the company, cumulatively in any financial year without full and reasonable explanation;

2.10.1.2 The company used the authority during the previous year in a manner deemed not to be in the shareholders' best interests;

2.10.1.3 Management has a record of destroying company value; and

2.10.1.4 The proposal is inconsistent with applicable laws (including the JSE Listings Requirements).

2.10.2 Issuing of Shares for Cash

The PIC will consider issuing shares for cash on a case-by-case basis, through carefully assessing how the interests of shareholders can be best served. The PIC shall vote for the issuing of shares for cash, unless:

2.10.2.1 The proposal has a threshold of above 5% of the issued shares and/or other voting instruments in the share capital of the company, cumulatively in any financial year without full and reasonable explanation.

2.10.2.2 The discount limit is in excess of 5%.

2.10.2.3 The issue of share-to-option schemes has actively been opposed, or where it has opposed the adoption of the remuneration report.

2.10.2.4 The share price is substantially below its intrinsic value.

2.10.2.5 The company used the authority during the previous year in a manner deemed not to be in the shareholders' interests.

2.10.2.6 The issuing of shares are deemed to have the intention of intervening in the market for corporate control, or establishing a control group in the company;

2.10.2.7 The proposal is inconsistent with applicable laws (including the Companies Act and/or JSE Listings Requirements).

2.10.3 Repurchase of Shares

PIC is principally in favour of share repurchases (as contemplated in terms of Section 48 of the Companies Act), provided share repurchases are done judiciously, and with the interest of all shareholders in mind. Companies must motivate to shareholders why they believe share buy-backs will be of more value to shareholders rather than a cash dividend, repayment of debt or further expansions or investments to enhance efficiencies or expand operations. However, as a general principle, the PIC will support a resolution giving Directors the authority to repurchase the company’s shares, unless:

2.10.3.1 The company wishes to repurchase more than what is allowed by the JSE Listing Requirements;

2.10.3.2 The repurchase can be used for takeover defences;

2.10.3.3 The repurchase impairs the tradability of the shares to the extent that it impacts negatively on the rating of the share;

2.10.3.4 The repurchase impairs the free float of the shares and lowers the share’s weighting in the FSE/JSE Free Float Index;

2.10.3.5 The company has no substantial cash resources and the repurchase scheme is not viable and not a tax-efficient method of returning cash to shareholders;

2.10.3.6 The company has insufficient balance sheet strength and cash resources not to place it under any form of financial strain;

2.10.3.7 The repurchase will impact on the control structure of the group, and is applied across minority and controlling shareholders on a pro-rata basis;

2.10.3.8 The Board may not claim the proxy vote rights relating to treasury shares;

2.10.3.9 The repurchase does impact negatively on the capital structure of the business;

2.10.3.10 The repurchase does create liquidity or growth constraints for the company;

2.10.3.11 The share price, at the time of granting the authority, is not higher than its intrinsic value;

2.10.3.12 The Directors have repeatedly failed to add value to shareholders through their repurchase strategy;

2.10.3.13 The shares are not allocated to a share option or incentive scheme, which does not have the approval of shareholders. PIC will further vote against any repurchase of shares in instances where the PIC is not in agreement with the structure of any share scheme of the company, as the repurchase of shares will increase the number of treasury shares which could be used to allocate to participating employees. This vote against is complimentary to the vote against the share scheme; and

2.10.3.14 The proposal is inconsistent with applicable laws (including the Companies Act and/or JSE Listings Requirements).

2.10.4 Dividends and Capital Distribution

2.10.4.1 PIC will vote against the award of a dividend if it is clear that the award of the dividend will place the company under financial stress.

2.10.4.2 PIC will generally be in favour of granting the Board any renewable mandate to award dividends if the company has displayed a consistent approach to awarding dividends.

2.10.4.3 PIC will support capital distributions where they aim to specifically return surplus cash to shareholders. Should such resolutions be linked to any significant change in the capital structure of the company, its constitution or a corporate event, it will be assessed on a case-by-case basis by the portfolio manager.

2.10.4.4 If the PIC determines that the company is withholding income from shareholders and not applying surplus reserves to any productive pursuit or the reduction of debt it will consider:

2.10.4.4.1 Requiring the Chairperson to fully explain the reasons for not awarding income to shareholders;

2.10.4.4.2 Making a symbolic vote against the adoption of the financial statements;

2.10.4.4.3 Voting against the re-election of incumbent Directors;

2.10.4.4.4 Working with other shareholders to propose new candidates to the Board; and

2.10.4.4.5 Working with other shareholders to raise a resolution to require the company to pay dividends.

2.10.4.5 If it is clear that a capitalisation award is being used to obfuscate another proposal by the company that diminishes shareholder rights, establishes an anti-takeover mechanism or results in any form of reduction in management accountability, PIC will vote against the linked resolution and the capitalisation award. Furthermore, PIC may consider voting against the re-election of the Chairperson and incumbent Directors and any resolutions which give the Directors general power over the capital of the company (such as general authorities to issue and repurchase shares).

2.11 FINANCIAL ASSISTANCE TO RELATED OR INTER-RELATED COMPANIES

Under the Companies Act, companies are required to seek shareholder approval in advance of providing certain forms of financial assistance (e.g. loans or loan guarantees) (sections 44 and 45 of the Companies Act). Approval is required for assistance provided to (a) related or inter-related companies (e.g. a subsidiary or holding company), (b) Directors or prescribed officers (i.e. senior executives who are not Directors), (c) for the purpose of subscribing for any options or securities issued by the company or by a related or inter-related company, or (d) for the purpose of purchasing any securities of the company or a related or inter-related company.

The PIC shall vote for a general authority to provide financial assistance, unless:

2.11.1 As part of the authority, the company requests a general authority to provide financial assistance to Directors, and this is not limited to participation in share incentive schemes; and/or

2.11.2 As part of the authority, the company seeks approval to provide financial assistance "to any person."

Evidence that the company has used a previous authority in a manner deemed not to be in a shareholders' interests would warrant further review and analysis.

2.12 NEW MEMORANDUM OF INCORPORATION (MOI)/AMENDMENTS TO THE MOI

The PIC shall vote on a new MOI or on amendments to the MOI on a case-by-case basis, depending on the impact on shareholder rights. The PIC shall vote in favour of the MOI, unless:

2.12.1 The company fails to provide sufficient information to enable the shareholders to assess the impact of the amendment(s) on their rights and interests;

2.12.2 The amendment has a negative impact on the rights or interests of all or some of the shareholders;

2.12.3 The amendment has a negative effect on the long-term interests of the majority of the company’s stakeholders;

2.12.4 The amendment constitutes a risk for the going concern of the business of the company; and

2.12.5 A series of amendments is submitted to the shareholders' approval under a bundled item wherein the negative amendments outweigh the positive ones.

2.13 BROAD BASED-BLACK ECONOMIC EMPOWERMENT (B-BBEE) TRANSACTIONS

B-BBEE transactions often involve the sale of shares or issue of new shares to specific partners or the provision of financial assistance and, as such, require shareholder approval. The precise nature of the transaction can vary significantly from company to company. The PIC will obtain confirmation from the Investee if the transaction is a major B-BBEE transaction (as contemplated in terms of the B-BBEE Regulations) and if such transaction has been submitted to the B-BBEE Commission for registration in terms of the B-BBEE Regulations.

The PIC shall vote on B-BBEE transactions on a case-by-case basis. Factors considered include the overall dilutive impact, the structure of the transaction and the identity of the company's chosen B-BBEE partners. Proposals which are genuinely broad-based are more appealing than those which stand to benefit a narrow group of investors, as are those which have a long-term timeframe. When analysing these transactions, the PIC will typically consider the Board's rationale, costs as a percentage of the company's market capitalisation, dilution and specific targets for that sector, as set out in the sector-specific transformation charters.

2.14 SOCIAL AND ETHICS COMMITTEE

The PIC supports the establishment of a Social and Ethics Committee (SEC) as a legal requirement for relevant companies in terms of the Companies Act and as per King IV recommendation. However, the PIC encourages the Boards of all companies to consider having a SEC that provides oversight on ESG impact matters as well as ethics, responsible corporate citizenship, and sustainable development and stakeholder relationships.

The PIC is of the view that integration of ESG is at the core of all companies' operations. Poor management and lack of proper oversight of ESG risks may lead to significant financial, legal and reputational risks. The identification, mitigation and management of ESG are key in assessing companies. It is the Board's responsibility to ensure that management conducts an integrated ESG risk analysis of company operations. The Board's role is to monitor management's performance in managing and mitigating ESG risks in order to minimize the risks to the company and its shareholders. The PIC will vote against the Chairperson and/or members of the SEC if:

2.14.1 The committee does not satisfy the minimum guidelines for membership, as set out in any Applicable Law.

2.14.2 Material ESG risks are apparent, and engagement with management has not resulted in any discernible action on behalf of management.

2.14.3 There is a lack of disclosure of the company's commitment to understanding and addressing its ESG impacts.

2.14.4 There has been a case of a Material environmental or social incident that is related to negligence on the part of management and the PIC is of the opinion that the issue has not been sufficiently addressed, or that there is no reasonable response to the issue.

2.14.5 There are serious concerns with the work of the SEC in the advancement of B-BBEE, gender/racial diversity and the SDGs.

2.15 CONSIDERATION OF ESG RISK FOR TRANSACTIONS

In recognition of its fiduciary duties, the PIC seeks to ensure that ESG issues, including but not limited to climate change-related considerations, are a routine consideration in its investment decision-making due to the universally recognised material risk to business and global systemic financial stability that Material ESG matters pose.

2.16 REPORTING CONTRIBUTIONS AND POLITICAL SPENDING

UK companies usually seek shareholder approval to authorise the Board, in accordance with their legislation, to make political donations or incur political expenditures up to a disclosed monetary limit. The PIC has a concern which is ethical in nature regarding political donations in general. It is PIC's view that this may pose an ethical dilemma for the company as sponsoring political parties, this may lead to governments being lenient with respect to the enforcement of regulations against the company. Hence, we will vote against this resolution.

HOW TO CONTACT PIC
For more information about PIC, please contact us at:
Tel: +27(0)12 742 3400
Email: esglisted@pic.gov.za
Postal: Private Bag X187, Pretoria, South Africa, 0001
Or visit our website at: www.pic.gov.za

PUBLIC INVESTMENT CORPORATION®
Est. 1911