

## LISTED INVESTMENTS

# ENVIRONMENTAL SOCIAL AND GOVERNANCE QUARTERLY REPORT

31 MARCH 2016

## INTRODUCTION

The PIC Investment thesis is underpinned by a commitment to Environmental, Social and Governance (ESG) demonstrated by signing up to the United Nations Principles of Responsible Investing (“PRI”) and the United Nations Global Compact (“UNGC”).

As the PIC believes a strong commitment to the highest standards of business practices and ethics is essential while introducing ESG considerations in business decisions it is without a doubt important in creating value for its clients and to developing a more sustainable long-term strategy. In this way, long-term returns for both investors and investee companies may be improved. This is part of a growing best practice drive to relate ESG management to the financial performance and growth of investor and investee companies. The PIC has embedded ESG in investment approval processes, to measure and report on the impact of its ESG activities.

The PIC further supports the country’s developmental agenda by embracing transformation as an investment driver. As a result the PIC requires that investments fulfill this mandate to drive the transformational strategy through the Broad Based Black Economic Amendment Act no. 46 of 2013. The purpose of this report is to outline the anticipated social impact and ESG measurements for the investments that have been concluded on behalf of the PIC clients with specific emphasis on the proxy voting undertaken for the period encompassing January 2016 to March 2016.

## PROXY VOTING

The following table lists all the company meetings held during the financial year 2015/2016 where the PIC exercised voting rights on behalf of the PIC clients. The table below gives a detailed illustration of the voting for the reporting period.



## PROXY VOTING RESULTS REPORT.

The below table provides a detailed explanation of all the Votes where the PIC exercised its clients rights with reasons for voting against and abstentions.

DATE OF MEETING	COMPANY NAME	SHARE CODE	% HOLDING	TYPE OF MEETING	TOTAL RESOLUTIONS	FOR	AGAINST	ABSTAIN	REASONS FOR VOTING AGAINST RESOLUTIONS
Friday, 15 Jan 2016	BK ONE Limited	BK1P	4.899	GM	4	2	2		<p><b>1&amp;2.Approval to issue “A” Preference Shares in terms of the private placement and Approval to issue “A” Preference Shares in terms of Section 41(3).</b></p> <p>The PIC has been in discussions with the Company regarding its capital structure and has recommended that the Company come up with a viable capital raise rather than issuing of shares each time the Company has financial challenges.</p>
Monday, 18 Jan 2016	Sibanye Gold Limited	SGL	10.043	GM	3	3			
Monday, 18 Jan 2016	Aquarius Platinum Limited	AQP	3.375	AGM	10	8	2		<p><b>1.Approve Remuneration Report and Approve Remuneration Policy -</b> The PIC is not in favor of non-executive directors’ remuneration in the form of shares or share option schemes as that is likely to impair the</p>



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									non-executive directors' independence. The company's KPI's do not include sustainable or non-financial conditions that are relevant, stretching and designed to promote the long-term success of the company. The company's remuneration incentives are not comparable with other companies in the same sector, with upper limits set and disclosed.
Wednesday, 20 Jan 2016	Delta Africa Property Holdings Limited	DLA	26.167	GM	2	2			
Monday, 25 Jan 2016	PPC Limited	PPC	13.933	AGM	33	33			
Tuesday, 26 Jan 2016	Redefine International P.L.C.	RPL	2.681	AGM	19	16	3		<b>1. To approve the Director's Annual Report on Remuneration for the year ended 31 August 2015</b> – The remuneration policy appears to be inconsistent with best practice. Even though there is disclosure for



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									<p>the KPAs for both for the STI and LTI. There is no mix of non-financial targets and there is a concern regarding the Remuneration Committee given too much discretion regarding allocation of performance share plan shares.</p> <p><b>2. To authorise Directors to allot Ordinary Shares up to the limits set out in the notice of AGM</b> - It is the PIC's policy that a maximum of 5% of unissued shares can be placed under the control of directors and would instead recommend that the company provides a fully motivated special resolution at the time the directors wish to issue new shares.</p> <p><b>3. To authorise Directors to dis-apply pre-emption rights up to the limit set out in the notice of AGM</b> - It is the PIC's policy that a maximum of 5% of unissued shares can be placed under the control of directors and would instead recommend that the company provides a fully motivated special resolution</p>



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									at the time the directors wish to issue new shares.
Tuesday, 27 Jan 2016	Clicks Group Limited	CLS	2.681	AGM	10	9	1		<b>1. Approval of the company's remuneration policy</b> – The Company's remuneration policy discloses STI and LTI principles. STI financial targets are said to be based on the groups RONA and targeted operating profit. There are no non-financial targets. The LTI's financial targets are HEPS and TSR with no sustainability targets in place.
Wednesday, 27 January 2016	Arrowhead Properties Limited	AWA	10.100	AGM	18	17	1		<b>1. Non-binding advisory vote on remuneration policy</b> - The PIC supports that remuneration as a general principle should be sufficient and appropriate to incentivize and retain excellence in the companies that we are invested in. However, Arrowhead's remuneration policy appears to be inconsistent with best practice. It does not disclose short-term performance targets - financial and non-financial with relevant



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Wednesday, 27 January 2016	Arrowhead Properties Limited	AWB	10.100	AGM	18	17	1		weightings. Furthermore, King III Report recommends that all share based incentives, including options and restricted or conditional shares, whether settled in cash or in shares, should link reward to performance over a longer term and also that vesting of rights should be based on performance conditions measured over a period appropriate to the strategic objectives of the company.
									<b>1. Non-binding advisory vote on remuneration policy</b> - The PIC supports that remuneration as a general principle should be sufficient and appropriate to incentivize and retain excellence in the companies that we are invested in. However, Arrowhead's remuneration policy appears to be inconsistent with best practice. It does not disclose short-term performance targets - financial and non-financial with relevant weightings. Furthermore, King III Report recommends that all share based incentives,



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									including options and restricted or conditional shares, whether settled in cash or in shares, should link reward to performance over a longer term and also that vesting of rights should be based on performance conditions measured over a period appropriate to the strategic objectives of the company.
Thursday, 28 January 2016	Lonmin Plc	LON	29.112	AGM	15	14	1		<b>1. To authorise directors to allot shares -</b> It is the PIC's policy that a maximum of 5% of unissued shares can be placed under the control of directors and would instead recommend that the company provides a fully motivated special resolution at the time the directors wish to issue new shares.
Thursday, 28 January 2016	Arrowhead Properties Limited	AWA	10.100	GM	2	2			



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Thursday, 28 January 2016	Arrowhead Properties Limited	AWB	10.100	GM	2	2			
Friday, 29 January 2016	Octodec Investments Limited	OCT	5.807	AGM	17	15	2		<p><b>1. To approve the re-appointment of members of the audit committee</b> – The PIC questions the independence of Myron Pollack as he has been on the Board for 22 years.</p> <p><b>2. To approve the remuneration philosophy by way of a non-binding advisory vote</b> - The remuneration policy appears to be inconsistent with best practice. The information provided is not sufficient to assess the structure and components of the policy. There are no KPIs, targets, measures and weightings.</p>
Wednesday, 3 February 2016	Barloworld Limited	BAW	15.915	AGM	27	26	1		<p><b>1.To approve the remuneration philosophy by way of a non-binding advisory vote</b> – Even though the company has disclosed a combination of STI and LTI financial metrics there are no</p>



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									non-financial or sustainability metrics disclosed and taken into account for performance.
Wednesday, 3 February 2016	Nampak Limited	NPK	11.957	AGM	14	13	1		<b>1. To appoint I Mkhari a member of the audit committee</b> – Poor attendance record of audit committee meetings by the member 33% (1/3). The PIC regards a 75% attendance of meetings as a minimum requirement to be re-elected onto a board or board sub-committee.
Friday, 5 February 2016	Netcare Limited	NTC	16.726	AGM	15	12	3		<b>1&amp;2. Appointment of APH Jamine and N Weltman as the Audit Committee members</b> – The PIC questions the independence of the members due to the number of years on the board.  <b>3. Approval of remuneration policy for the year ended 30 September 2015</b> - The remuneration policy appears to be inconsistent with best practice. Although there is some disclosure for performance

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									targets, there is no disclosure of stretch targets. Furthermore there is no clarity on the extent of performance against targets.
Monday, 08 February 2016	Sappi Limited	SAP	14.533	AGM	19	18	1		<b>1. Non-binding endorsement of Remuneration Policy</b> - The remuneration policy appears to be consistent with best practice however the PIC is of the view that the former CEO's settlement payment was rather excessive.
Tuesday, 9 February 2016	Spar	SPP	17.175	AGM	13	12	1		<b>1. Non-binding advisory vote on the remuneration policy</b> – The PIC takes note of some improvements in the remuneration disclosure with specific reference to LTI KPI's. However there is still a need to disclose STI KPI's and take into account the need for non-financial or sustainability KPI's.
Thursday, 11 February 2016	Astral Foods Limited	ARL	12.930	AGM	17	16	1		<b>1. To endorse the company's remuneration policy and its implementation</b> – The Company's STI is



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									based on EVA and PBIT and the LTI is 75% performance based (37% of the bonus amount is subject to achieving a predetermined average annual increase in earnings per share (EPS) over a three-year period and 38% of the bonus amount is subject to achieving a predetermined performance condition of an average Performance Efficiency Factor (PEF)* over a three-year period) and 25% retention based. There are no sustainability/non-financial conditions included in the performance management. With the Company lagging behind i.t.o transformation it's key that non-financial indicators be included as part of KPI's for management.
Thursday, 11 February 2016	Rhodes Food Group Holdings Limited	RFG	18.864	AGM	16	12	4		<b>1. Endorsement of the remuneration policy -</b> The remuneration policy appears to be inconsistent with best practice with minimal disclosure of KPI's and stretch targets set.



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									<p><b>2. Approval of the Rhodes Group 2015 long-term incentive share plan</b> – The proposed share plan’s performance criteria is financially driven with no sustainability measures. The identified KPI’s do not indicate stretch targets and we also raise a concern regarding the remuneration committees’ discretion regarding the setting of annual performance targets.</p> <p><b>3.Control of authorised but unissued ordinary shares</b> - It is the PIC’s policy that a maximum of 5% of unissued shares can be placed under the control of directors and would instead recommend that the company provides a fully motivated special resolution at the time the directors wish to issue new shares.</p> <p><b>4.Approval to issues ordinary shares for cash</b> - It is the PIC’s policy that a maximum of 5% of unissued shares can be placed under the control of directors and would instead recommend that the company provides a fully motivated special resolution</p>



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									at the time the directors wish to issue new shares.
Friday, 12 February 2016	Dipula Income Fund Limited	DIA	17.087	AGM	15	15			
Friday, 12 February 2016	Dipula Income Fund Limited	DIB	23.476	AGM	15	15			
Friday, 12 February 2016	Pioneer Food Group Limited	PFG	9.408	GM	1	1			
Friday, 12 February 2016	Pioneer Food Group Limited	PFG	9.408	AGM	17	16	1		<b>1.Non-binding Endorsement of Pioneer Foods’ remuneration policy</b> – The Company has disclosed its STI and LTI KPI’s however they are not stretching enough and do not include sustainability measures.



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Monday, 15 February 2016	Petmin Limited	PET	0.748	AGM	14	10	4		<p><b>1. Approval of the Remuneration philosophy for the year ended 30 June 2015 - Even</b> though there is disclosure for STI and LTI KPI's, they are financial focused and are not clear with no stretch and no sustainability targets.</p> <p><b>2. Approval of the Petmin Limited Group Share Incentive Scheme –</b> The proposed scheme's KPI's are 80%/EPS and 20%/ROE. The PIC views the weighting towards EPS as unacceptable as it can be easily manipulated. Furthermore, the maximum individual participant shares available are in excess of best practice benchmark of maximum 0, 50%.</p> <p><b>3. To place the unissued shares under the control of the directors -</b> It is the PIC's policy that a maximum of 5% of unissued shares can be placed under the control of directors and would instead recommend that the company provides a fully motivated special resolution at the time the directors wish to issue new shares.</p>



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									<b>4. To authorise general share issues for cash</b> - It is the PIC's policy that a maximum of 5% of unissued shares can be placed under the control of directors and would instead recommend that the company provides a fully motivated special resolution at the time the directors wish to issue new shares.
Monday, 15 February 2016	Redefine International P.L.C.	RPL	2.681	GM	4	4			
Monday, 15 February 2016	Reunert Limited	RLO	13.106	AGM	22	21	1		<b>1. Endorsement of Reunert's remuneration policy</b> - The remuneration policy appears to be inconsistent with best practice. Although there is some disclosure for performance targets, it is our view that there is a need to review the targets to be more in line with best practice.



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Tuesday, 15 February 2016	Tiger Brands Limited	TBS	12.907	AGM	18	18			
Tuesday, 15 February 2016	Oceana Group Limited	OCE	4.563	AGM	15	13	2		<p><b>1. Election of S Pather as audit committee member</b> – The PIC questions the member’s independence due to the number of years on the board.</p> <p><b>2. Approve the company’s remuneration policy</b> - The remuneration policy appears to be inconsistent with best practice. Although there is some disclosure for performance targets, it is our view that there is a need to review the targets to be more in line with best practice.</p>
Thursday, 18 February 2016	Redefine Properties Limited	RDF	11.436	AGM	18	17	1		<p><b>1. Remuneration policy</b> - The remuneration policy appears to be inconsistent with best practice. Although there is some disclosure for performance targets, it is our view that there is a need to be transparent i.t.o peer group companies’ disclosure and strategic objectives being more specific.</p>



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Friday, 19 February 2016	EOH Holdings Limited	EOH	11.419	AGM	15	11	4		<b>1. To appoint Rob Sporen, Lucky Khumalo, Tshilidzi Marwala and Tebogo Skwampane as members of the Audit Committee</b> – The PIC questions the collective skills of the members of the audit committee in relation to the company's industry. Furthermore, the Company failed to table to shareholders the non-binding advisory vote at the annual general meeting.
Thursday, 3 March 2016	Transactional Capital Limited	TCP	4.525	AGM	15	14	1		<b>1. Non-binding advisory vote on remuneration policy</b> – The remuneration policy appears to be inconsistent with best practice. There is no disclosure of performance targets.
Monday, 7 March 2016	Hudaco Industries Limited	HDC	10.524	AGM	13	12	1		<b>1. Endorsement of Hudaco's remuneration policy</b> - The remuneration policy appears to be inconsistent with best



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Thursday, 24 March 2016	The Spar Group Limited	SPP	17.175	GM	1	1			practice. There is no disclosure of performance targets,
<b>TOTAL VOTES</b>					<b>457</b>	<b>417</b>	<b>40</b>		