



# PROXY VOTING RESULTS REPORT

## Q2 (JULY/SEPTEMBER 2015)

30 September 2015

STRICTLY CONFIDENTIAL

## PROXY VOTING RESULTS SECOND QUARTER 2015/2016

### INTRODUCTION

The PIC Listed 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 all the PIC clients, with specific emphasis on the proxy voting undertaken for the period encompassing July 2015 to September 2015.

### PROXY VOTING

The following table lists all the company meetings held during the months of July and September 2015 where the PIC exercised voting rights of behalf of all the PIC clients. The table below gives a detailed illustration of the voting or the reporting period.

## PROXY VOTING RESULTS SECOND QUARTER 2015/2016

DATE OF MEETING	COMPANY NAME	SHARE CODE	% HOLDING	TYPE OF MEETING	TOTAL RESOLUTIONS	FOR	AGAINST	ABSTAIN	REASONS FOR VOTING AGAINST RESOLUTIONS
<b>Friday, 10 July 2015</b>	Adcock Ingram Holdings Limited	AIP	22.32	GM	2	2			
<b>Friday, 10 July 2015</b>	Netcare Limited	NTC	16.92	GM	7	7			
<b>Monday, 13 July 2015</b>	Rockcastle Real Estate Company Limited	ROC	2.91	GM	1	1			
<b>Wednesday, 15 July 2015</b>	Illovo Sugar Limited	ILV	6.58	AGM	14	12	2		<p><b>1. Appointment of the Audit Committee member: Dr D Konar-</b> The PIC questions the independence of the non-executive director due to the number of years (20 year) that he has been serving on the Board</p> <p><b>2. Approval of non-executive directors' fees-</b> The PIC is of the opinion that the fees of the outgoing Chairman are excessive as compared to same sector companies and others of similar size. We remain to see if the</p>

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									incoming chairman's fees will remain low as proposed.
<b>Wednesday, 15 July 2015</b>	Oceana Group Limited	OCE	4.52	GM	8	8			
<b>Thursday, 16 July 2015</b>	Vodacom Group Limited	VOD	8.38	AGM	13	13			
<b>Wednesday, 22 July 2015</b>	Brait SE	BAT	9.70	AGM	14	14			
<b>Thursday, 23 July 2015</b>	Mediclinic International Limited	MDC	8.72	AGM	16	15	1		<b>1. Re-election of independent Audit and Risk Committee member: AA Raath</b> – The PIC questions this non-executive directors independence who has been on the board for 19 years
<b>Thursday, 23 July 2015</b>	Redefine Properties Limited	RDF	10.85	GM	2	2			

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<b>Thursday, 23 July 2015</b>	SAB Miller plc	SAB	2.82	AGM	23	23			
<b>Friday, 24 July 2015</b>	Fountainhead Property Trust	FPT	0.37	GM	1	1			
<b>Monday, 27 July 2015</b>	Accelerate Property Fund	APF	8.06	AGM	19	17	2		<p><b>1. Non-binding advisory vote on the company's remuneration philosophy-</b> The remuneration policy appears to be inconsistent with best practice. The information provided is not sufficient to assess the full structure and components of the policy. There are no KPIs, targets, measures and weightings.</p> <p><b>2. Approval of non-executive director's fees: Mr. Tito T Mboweni</b></p>

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									– The PIC is of the opinion that the Chairman's fees as excessive. The chairman's fees are higher than that of Companies of the same size.
<b>Monday, 27 July 2015</b>	Pick n Pay Stores Limited	PIK	7.56	AGM	13	10	3		<p><b>1. Appointment of Hugh Herman to the audit committee</b> – The PIC questions this non-executive directors' independence who has been on the board for 39 years and is still considered independent to serve on the audit committee and as a Lead Independent Director.</p> <p><b>2. Endorsement of remuneration report</b> - The CEO and other executives bonus increased by 100% in the period, whereas there was no clear outperformance. The Group delivered growth in PBTAE ahead of the remuneration committee's threshold level of 12% and its target of 23%, with</p>

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									<p>the Group achieving PBTAE of R1 205.2million (28.6% growth). The stretch target of 33% was not met. It is our view that the short term bonus was unjustified given the low base that management is working off making the performance thresholds relatively simple to meet.</p> <p>PIK and PWK's remuneration practices, share option and, specifically, the PIK binary share scheme, require additional individual disclosure, clarity around future grants and more detailed performance criteria to drive group outperformance.</p> <p>The FSP scheme also has some shortcomings: no peer group comparison is given; the targets are less demanding than the previous binary share scheme. The HEPS target is also considered low due to the</p>

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									<p>depressed nature of the HEPS base year. Lastly, there is no clear indication of the amount of shares each director will receive.</p> <p><b>3. General approval to repurchase Company shares</b> - We are concerned with this resolution as buybacks within PIK can be used to maintain the family control structure, despite the free float of 28.8% within PIK, being adequate. We highlight that a limitation of 5% in any one financial year is specified in the resolution.</p>
<b>Momday, 27 July 2015</b>	Pick n Pay Holdings Limited	PWK	3.49	AGM	11	9	4		<p><b>1. Appointment of Rene de Wet to the audit committee</b> - The PIC questions this non-executive director's independence who has been on the board for 34 years and is still considered independent to serve and chair the audit committee.</p>



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									<p><b>2. Appointment of Hugh Herman to the audit committee</b> – The PIC questions this non-executive director's independence who has been on the board for 39 years and is still considered independent to serve on the audit committee and as a Lead Independent Director.</p> <p><b>3. Endorsement of remuneration report</b> - The CEO's and other executives bonus increased by 100% in the period, whereas there was no clear outperformance. The Group delivered growth in PBTAE ahead of the remuneration committee's threshold level of 12% and its target of 23%, with the Group achieving PBTAE of R1 205.2million (28.6% growth). The stretch target of 33% was not met. It is our view that the short term bonus was unjustified given the low base that management is working off making the</p>

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									<p>performance thresholds relatively simple to meet.</p> <p>PIK and PWK's remuneration practices, share option and, specifically, the PIK binary share scheme, require additional individual disclosure, clarity around future grants and more detailed performance criteria to drive group outperformance.</p> <p>The FSP scheme also has some shortcomings: no peer group comparison is given; the targets are less demanding than the previous binary share scheme. The HEPS target is also considered low due to the depressed nature of the HEPS base year. Lastly, there is no clear indication of the amount of shares each director will receive.</p> <p><b>4.General approval to repurchase</b></p>

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									<p><b>Company shares</b> - We are concerned with this resolution as buybacks within PIK can be used to maintain the family control structure, despite the free float of 28.8% within PWK, being adequate. We highlight that a limitation of 5% in any one financial year is specified in the resolution.</p>
<b>Tuesday, 28 July 2015</b>	Advtech Group Limited	ADH	7.94	AGM	14	13	1		<p><b>1. Non-binding advisory vote on remuneration policy</b> - The remuneration policy appears to be inconsistent with best practice. There are no clear defined group performance targets,</p>
<b>Wednesday, 29 July 2015</b>	Investec Property Fund Limited	IPF	5.90	AGM	18	18			

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<b>Wednesday, 29 July 2015</b>	Tongaat Hulett	TON	14.81	AGM	15	15			
<b>Thursday, 30 July 2015</b>	Alexander Forbes Group Holdings Limited	AFP	8.06	AGM	15	13	2		<b>1. Approval of Alexander Forbes LTIP and Issues of ordinary shares for the Alexander Forbes LTIP –</b> The LTIP has not disclosed any performance conditions that are linked to enhancing shareholder value.
<b>Wednesday, 5 August 2015</b>	Safari Investments RSA Ltd	SAR	3.81	AGM	16	15	1		<b>Re-election of directors: Dr DA Pienaar –</b> Based on the Company's Board evaluation, the PIC questions the Directors ability add value to this Company's Board.
<b>Thursday, 6 August 2015</b>	Investec plc	INP	9.50	AGM	42	38	4		<b>1. To approve the dual listed companies' (DLC) directors' remuneration report (other than the part containing the directors'</b>

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									<p><b>remuneration policy) for the year ended 31 March 2015;</b></p> <p><b>2. To approve the dual listed companies ('DLC') directors' remuneration policy contained in the DLC remuneration report;</b></p> <p><b>3. Directors' remuneration –</b></p> <p><b>4. Director's authority to allot shares and other securities.</b></p> <p>The PIC voted against the four resolutions separately. We remain concerned that Investec's remuneration report and policy structures owing to the structure of both the short term and long term incentive schemes.</p> <p>The PIC considers the quantum of the remuneration to be excessive and we consider the quantum of the remunerations, which are resultant from the policy, to be excessive. We consider the cap of 10% on escalations</p>

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									in director's fees for the next 24 months, to be too high. It is the PIC's policy that a maximum of 5% of unissued shares can be placed under the control of directors. We consider 33% of unissued shares to be under director's control to be excessive and would instead recommend that the company provides a fully motivated special resolution at the time the directors wish to issue new shares.
<b>Thursday, 6 August 2015</b>	Investec Limited	INL	13.25	AGM	42	38	4		<p><b>1. To approve the dual listed companies' ('DLC') directors' remuneration report (other than the part containing the directors' remuneration policy) for the year ended 31 March;</b></p> <p><b>2. To approve the dual listed companies' ('DLC') directors' remuneration policy contained in the DLC remuneration report;</b></p>

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									<p><b>3. Director's remuneration;</b></p> <p><b>4. Directors' authority to allot shares and other securities</b></p> <p>The PIC voted against the four resolutions separately. We remain concerned that Investec's remuneration report and policy structures owing to the structure of both the short term and long term incentive schemes.</p> <p>The PIC considers the quantum of the remuneration to be excessive and we consider the quantum of the remunerations, which are resultant from the policy, to be excessive. We consider the cap of 10% on escalations in director's fees for the next 24 months, to be too high. It is the PIC's policy that a maximum of 5% of unissued shares can be placed under the control of directors. We consider 33% of unissued shares to be under</p>

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									director's control to be excessive and would instead recommend that the company provides a fully motivated special resolution at the time the directors wish to issue new shares.
<b>Tuesday, 11 August 2015</b>	Mediclinic International	MDC	8.55	GM	4	4			
<b>Friday, 14 August 2015</b>	Lewis Group Limited	LEW	9.40	AGM	15	10	5		<p><b>1. Election of members of audit committee: Mr. DM Nurek, Mr. H Saven and Mr. BJ van der Ross –</b> The PIC questions the independence of the three members who have been on the board for 11 years and their collective skills of the members of this committee in light of the recent allegations against Lewis Groups Accounting Policies.</p> <p><b>2. Approval of reappointment of auditors –</b> The PIC questions the external audit firm's expertise and</p>



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									<p>agility to respond to the allegations against Lewis Groups Accounting Policies.</p> <p><b>3. Approval of the Company's remuneration policy</b> – Even though the Company has disclosed some STI financial and operating targets, they are not weighted and furthermore the company has failed to disclosed sustainability targets.</p>
<b>Tuesday, 25 August 2015</b>	Reinet Securities SA	REI	12.51	AGM	9	9			
<b>Tuesday, 25 August 2015</b>	Vukile Property Fund Limited	VKE	14.59	AGM	24	23	1		<p><b>1. Remuneration policy</b> – The company's remuneration policy appears to be inconsistent with best practice. There are no clear defined group performance targets for the STI and LTI – financial and non-financial.</p>

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Wednesday, 26 August 2015	Telkom SA SOC Limited	TKG	11.93	AGM	20	19	1		<p><b>1. Endorsement of the remuneration policy</b> - Telkom's short-term bonuses are based on profitability measures only. However, the group does not disclose what the specific targets are as this would amount to profit forecasting and furthermore we raise a concern that there are no sustainability targets set.</p> <p>TKG provides information around the STI and LTI benchmarks BUT no details are given around what is included/excluded from these. TKG's EBITDA was significantly boosted by external and extraordinary items, and we believe that these should not be part of calculations for incentives.</p> <p>We are also concerned about the peer group chosen. While we accept that there are no direct peers for TKG,</p>

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									<p>peers given (Retail companies, Didata and Multi-choice) are not in our opinion sufficient.</p> <p>Ex-CFO, Jacques Schindehutte was paid a total of R18.8m in FY '15, despite being suspended and retiring only 5 months into the year. In FY '15, Schindehutte was paid:</p> <ul style="list-style-type: none"> <li>• His guaranteed package of R6.55m – his pay continued while he was suspended.</li> <li>• Fringe and other benefits of R12.2m, made up as follows: <ul style="list-style-type: none"> <li>• R1.25m as a STI payment relating to FY '14</li> <li>• R10.3m as LTI</li> </ul> </li> </ul>

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									<p>payments for FY '14 and '15.</p> <p>We cannot assess whether the LTI payment was appropriate or not given the lack of disclosure around both the settlement and the disciplinary process. It has been indicated that the payment was made due to the design of the package and nature of Mr Schindutte's exit from TKG which is concerning to us and raises another area of the remuneration policies weakness.</p>
<b>Tuesday, 27 August 2015 2015</b>	Texton Property Fund Limited	TEX	9.10	GM	4	3	1		<p><b>1. Approval of the amendments to the Texton Share Incentive Plan –</b></p> <p>The proposed plan does not disclose any performance indicators and vesting conditions.</p>

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<b>Monday, 30 August 2015</b>	The Foschini Group Limited	TFG	16.54	AGM	14	12	2		<p><b>1. Election of Mr. SE Abrahams as a member of the audit committee</b> - The PIC questions the independence of Mr. SE Abrahams who has been on the board for 17 years.</p> <p><b>2. Non-binding advisory vote on remuneration policy</b> – The remuneration policy has inadequate disclosure around the performance criteria for both the short term incentives (STI) and long term incentives (LTI). There is lack of disclosure of weightings, more than one performance indicator and targets. STI has only one performance condition – HEPS, which can easily be manipulated and the LTI also has one performance condition – HEPS, which is also inadequate. Best Practice recommends that companies must have multiple performance measures to avoid manipulation of results or poor</p>

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									business decisions.
<b>7 September 2015</b>	Steinhoff International Holdings Limited	SHF	11.38	GM	5	2	3		<b>1. Scheme approval, 2.Approval of Articles of Association and 3.Secondary listing of Genesis on JSE – The PIC is not in favor of Companies taking their Primary Listings to outside Countries.</b>
<b>9 September 2015</b>	Richemont Securities SA	CFR	3.71	AGM	28	28			
<b>10 September 2015</b>	Datatec Limited	DTC	14.89	AGM	12	10	2		<b>1. Election of Audit, Risk and Compliance Committee members: Election of CS Seabrooke - The PIC questions the independence of the non-executive director due to the number of years that he has been serving on the Board.</b> <b>2. Non-binding advisory vote on remuneration policy - The</b>

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									remuneration policy has inadequate disclosure around the performance criteria for both the short term incentives (STI) and long term incentives (LTI). STI's performance conditions – (80%) EPS, share price and EBITDA are not demanding enough with no specific weightings for each measure and there are no KPI's for sustainability (20%) and the LTI's (SAR and LTIP) have one performance condition each – which is also inadequate. Best Practice recommends that companies must have multiple performance measures to avoid manipulation of results or poor business decisions.
14 September 2015	Coal of Africa	CZA	0.56	GM	1	1			
16 September 2015	Delta International Property Holdings	DLI	25.86	GM	7	6	1		<b>1. Appointment of Mr. Ian Macleod as a director of the Company – As</b>

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	Limited								part of shareholder consultation the PIC was consulted on a list of prospective Director names that would satisfy skills and diversity issues on the Board yet this specific Directors name was not included at the time of the meeting.
<b>18 September 2015</b>	ArcelorMittal South Africa Limited	ACL	5.76	GM	4	4			
<b>TOTAL VOTES</b>					<b>456</b>	<b>416</b>	<b>40</b>	<b>0</b>	

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