

PROXY VOTING AND CORPORATE GOVERNANCE

Balondolozzi Investment Services (Pty) Ltd

Proxy statements increasingly contain material issues involving shareholder rights and corporate governance issues, among others, which deserve careful review and consideration. Therefore in voting proxies, Balondolozzi, on a case-by-case basis, will consider those factors that may affect directly or indirectly the value of the clients' investments.

The following corporate governance guidelines are followed internally and in voting proxies.

Board Composition & Directorship

Board membership should comprise a balance of executive and non-executive directors who have broad experience and are in a position to act independently. Balondolozzi will support the election of an independent non-executive Chairman so that the Board represents the interests of shareholders, not executive management.

Internally, to preserve the independence and flexibility of the investment process, Balondolozzi will not appoint investment team members to the board of listed companies.

Share Capital

Balondolozzi will generally oppose:

- Placing unissued ordinary shares under the control of the directors that would dilute existing shareholders.
- Resolutions that provide directors the authority to issue shares for cash, as any further issues would dilute existing shareholders.
- Resolutions that allow share repurchases to impact on the "free float" of the company and where the share repurchase could have a material negative impact on liquidity.
- Proposals to divide share capital into two or more classes or to otherwise create classes with unequal voting and/or dividend rights.
- Proposals that allow for the re-pricing or issuing of options at a discount.

Environmental Issues

The public has a right to know whether a company uses substances that pose an environmental health or safety risk to a community in which it operates. Balondolozzi will support resolutions asking companies to prepare general reports describing environmental management plans and to disclose current or potential environmental liabilities.

Remuneration

Levels of remuneration should attract, retain and incentivise directors to perform in the best interests of the shareholders. Items that Balondolozzi will consider include:

- Detailed disclosure of director and employee compensation, particularly where the company does not have a majority independent board.
- The independence of the Remuneration Committee and its recommendations
- Whether compensation is reasonable especially with respect to total compensation to CEOs per annum; "golden parachutes" for early termination of service or if triggered by a takeover; executive severance pay (particularly where the company performance was poor during the said executive's tenure).

Appointment of Auditors

The audit process must be objective, rigorous and independent to maintain the confidence of the market. Balondolozzi will pay serious consideration to any issues that may have compromised the audit firm's independence and objectivity with respect to the company over the past year.

Empowerment/Equality

Balondolozzi will encourage development of an employment equity plan and reporting on empowerment with specific focus on:

- Shareholders;
- Board of Directors;
- Executive and senior management;
- Staff/labour force;
- Suppliers/Contractors

King Report on Corporate Governance

Balondolozzi supports the principles and intentions as laid down in the King III Report on Corporate Governance.