



## Proxy Voting Guidelines and Corporate Governance Policy

### 1. Introduction

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

Balondolozzi exercises voting rights for all securities held. This guideline has adopted written procedures designed to ensure that each vote is in the best interest of clients as well as influence a positive change.

**At standard Annual General Meetings, shareholders will be required to approve the following resolutions:**

- Receipt and Adoption of Annual Financial Statements.
- Reappointment of external auditors.
- Election and Re-election of Directors.
- Election and Re-election of Audit and Risk Committee members.
- Approval/Endorsement of remuneration policy and implementation report.
- Approval of Executive/Non-Executive Directors fees.
- Share issuance authority.
- General authority to repurchase shares.
- Financial assistance to related and Inter-related companies.

- Authority to approve (sign documents) and execute approved resolutions.

**Non-routine resolutions that shareholders will be required to approve include:**

- Amendments to the Memorandum of Incorporation (MOI).
- Black Economic Empowerment (BEE) transactions.
- Appointment of Social and Ethics Committee members.
- Environmental, Social and Ethics committee report.
- Political donations.

### 1.2 Receipt and Adoption of Annual Financial Statement

Balondolozzi will consistently provide support or vote in favour of this resolution for the approval of financial statements and reports, following their audit in compliance with applicable rules and regulations, except under circumstances where:

- The financial statements lack transparency or are not sufficiently detailed to provide a clear understanding of the company's financial position and performance as well as concerns about the accuracy or integrity of the company's accounting practices.
- There are concerns about corporate governance practices within the company, such as board independence, executive oversight, or conflicts of interest and overall dissatisfaction with the company's governance

structure or practices and misleading financial statements.

### **1.3. Reappointment of external auditors**

The audit process must be objective, rigorous, and independent to maintain the confidence of the market. Balondolozhi 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. Balondolozhi generally supports the reappointment of external auditors, except under circumstances where:

- There are issues regarding the tenure of the external auditors.
- Fees are perceived as excessive or disproportionate to the services provided. Shareholders may question the value proposition of retaining the same auditor for future engagements. Additionally, high fees could raise concerns about potential conflicts of interest or undue influence on the audit process, potentially eroding confidence in the auditor's independence and objectivity.
- The independence of the audit does not align with the best practices within the market.

### **1.4 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. Balondolozhi will support the election of an independent non-executive Chairman so that the Board represents the interests of shareholders, not executive management.

- For the board to fulfil its governance duty and obligations objectively and successfully, there must be a proper balance of expertise, skills, experience, diversity, and independence.
- Tenure of directors should be up to 10 years, subject to independence.

- The Chairman of a listed company is prohibited from concurrently holding the chairmanship position at another listed entity to mitigate potential conflicts of interest. Chairpersons are further limited to holding multiple external directorships at listed companies to at least one external directorship at a listed company.
- In adherence to our corporate governance standards, there is a restriction on the number of directorships that a director may hold to prevent overcommitment. Balondolozhi imposes a limit of up to five listed company directorships.
- Certain Memorandums of Incorporation (MOIs) may stipulate a maximum age limit and as an internal guideline, directors are typically expected to retire at the age of 70.

Balondolozhi shall vote in favour of the proposed Board of Director/s, except under circumstances where:

- Legal concerns have been initiated, or a criminal conviction has been obtained against the Director/s or members of the supervisory board regarding the management of the company's affairs.
- The nominated candidate has attended less board and committee meetings (less than 75%), without providing any reasonable and justified reasons for their absence.
- The nominated candidate has prior criminal conviction, either in their personal capacity or while representing the company.

There is evidence that the Directors' independence may be compromised due to the following, among other issues mentioned above:

- Family relations with senior executives or founders as well as business relations with the company or its executives.

### **1.5 Audit and risk committee members**

- All members of the committees must be independent non-executive members, and the chairman must also be independent.
- The effectiveness of the organization's assurance operations and services, as well as the integrity of the financial statements, are two important areas that the audit committee is responsible for providing independent oversight.
- Both executive and non-executive members of the governing body should be represented on the audit and risk committee, with the majority being non-executive members.
- Internally, to preserve the independence and flexibility of the investment process, Balondolozhi will not appoint investment team members to the board of listed companies.

Balondolozhi will vote in favour of the re-election of Audit and Risk Committee members, except under circumstances where:

- The Chairperson of the Board serves on the Audit and Risk Committee, which could potentially create conflicts of interest, as the Chairman may be involved in decisions that the committee is tasked to scrutinise and evaluate objectively.
  - However, if the company deems it appropriate for the Chairperson to be a member of the Audit and Risk Committee, it should offer ample justification for this decision.
- The nominated candidate lacks a basic level of education, specifically in accounting, auditing, or any finance-related qualification, as well as the required experience for membership on the Audit and Risk Committee.
- The nominated candidate has a history of adverse decisions and outcomes around the audit and risk processes, as well as financial reporting, alongside other related issues.

### **1.6 Remuneration and Implementation Report**

Levels of remuneration should attract, retain and incentivise directors to perform in the best interests of shareholders.

Items that Balondolozhi will consider include:

- Remuneration practices must be closely linked to the achievement of the Group, subsidiary companies, team and individual performance objectives.
- 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).

Balondolozhi approves remuneration policies of various companies if all the necessary and important disclosures have been provided within the policies and implementation reports to sufficiently empower shareholders to make informed judgments regarding the policies, except under circumstances where:

- The company's remuneration policy may potentially not fully encompass all its strategic components (including their objectives, vision, mission and industry standard remuneration).
- Remuneration is not linked to performance as per performance targets as well as benchmarked against industry peers.

- Remuneration policy or structure disproportionately emphasises short-term performance incentives, thereby incentivising short-term behaviour among company executives and employees. This could be detrimental to the company's long-term sustainability and growth prospects, as it may encourage decision-making that prioritizes immediate gains over the strategic objectives and enduring value creation essential for sustained success.
- Substantial increases in fixed remuneration implemented without sufficient disclosure or justification. This implies that significant raises in base salaries or other fixed components of compensation packages are being granted to executives or employees without clear and comprehensive rationales provided to stakeholders.
- The company implements long-term incentive schemes, such as matching shares, which lack performance conditions for all awards, or in cases where performance conditions exist, they are either undisclosed or perceived as insufficiently rigorous. This means that executives and employees may receive incentives without being required to meet specific performance benchmarks, or if such benchmarks are outlined, they might not be transparent enough to effectively drive the desired behaviours and outcomes aligned with the company's strategic objectives. As a result, this lack of clarity or robustness in the incentive structure could undermine the effectiveness of the incentive program in motivating individuals to contribute to the company's long-term success and shareholder value creation.
- Fees are excessive relative to companies in the same industry or complexity.
- Excessive increases have been implemented without sufficient justifications.
- Executive/non-executive directors are remunerated on a fixed fee basis and not together with a meeting fee to achieve a balance between ongoing work, attending meetings as well as effectively engaging during board meetings.

### **1.8 Share issuance authority**

Balondoloji 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.
- 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.

Balondoloji will selectively issue shares for cash, evaluating each case to optimize shareholder interests, except under circumstances where:

- The proposed shares to be issued entails a threshold not exceeding 5% of the issued and/or
- other voting instruments within the share capital of the company.
- The maximum discount is not 5% (10% for property funds) of issued shares which may be

### **1.7 Approval of Executive/Non-Executive Directors fees**

Balondoloji approves or votes in favour of the approval of Executive/Non-executive directors fees, except under circumstances where:

placed under directors' control or issued for cash per year.

- There is no specific reason given as to the need for such an authority to be granted which can potentially have a dilutive impact on existing shareholders' ownership.

### **1.9 General authority to repurchase shares**

A share buy-back or share repurchase is a transaction in which a company buys back its issued shares from a shareholder.

Balondoloji generally supports share buy-backs, except under circumstances where:

- 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.
- The company did not provide a limit of 5% of the issued ordinary shares.
- The company has a majority shareholder, potentially compromising minority shareholder rights through additional entrenchment measures.

### **1.10 Financial assistance to related and Inter-related companies**

In compliance with Section 45(1)(a) of the Companies Act, financial assistance encompasses activities such as providing loans, guaranteeing loans or other obligations to related or inter-related companies, including securing debts or obligations.

Section 44 of the Companies Act does not require the company to disclose all the details as to the amount, reason, terms and conditions of the financial assistance as companies operate in industries where providing financial support to subsidiaries on occasion may be important for a number of reasons.

However, certain exemptions exist and these exemptions include:

- Lending money in the ordinary course of business by a company whose primary business is money lending.
- Providing an accountable advance for specific purposes, including legal expenses related to company matters, anticipated expenses on behalf of the company, or expenses incurred for the removal of a person at the company's request.

Balondoloji supports or votes for the general authority to provide financial assistance to support authorised incentivisation or empowerment initiatives, except under circumstances where:

- The company requests a general authority to provide financial assistance to Directors, including participation in share incentive schemes.
- The company seeks approval or requests authority to provide financial assistance "to any person" potentially exposing the company to the risk of default or non-repayment, which could result in financial losses and further unethical behaviour within the company, among other concerns.

### **1.11 Authority to approve (sign documents) and execute approved resolutions**

The company secretary plays a crucial role in offering directors comprehensive guidance regarding their duties, responsibilities, and authorities, while ensuring their compliance with pertinent laws and regulations. This encompasses not only legal obligations but also considerations of business ethics and the principles of good governance. It is imperative for the company secretary to stay updated on the evolving landscape of corporate governance to uphold the highest standards of governance within the organisation.

Furthermore, the company secretary must monitor global trends in corporate governance, identifying opportunities to enhance the board's practices and performance.

This resolution is therefore administrative and will give any director or company secretary the authority to perform all the necessary actions to implement the proposed resolutions. Thus receive an in-favour vote.

### **1.12 Amendment to the Memorandum of Incorporation**

The Memorandum of Incorporation (MOI) serves as a foundational legal document detailing the essential conditions for the formation and functioning of a company within the regulatory framework stipulated by the Companies Act of the applicable jurisdiction. It commonly encompasses provisions related to the company's name,

objectives, share capital, governance framework, and other pivotal elements shaping its organisational structure.

Balondolozzi votes in favour of the MOI, except under circumstances where:

- Inadequate information is provided to enable thorough assessment of the implications of the proposed amendments, as without sufficient transparency and disclosure, it would be challenging to make an informed decision.

### **1.13 Black Economic Empowerment (BEE) transactions**

Broad-Based Black Economic Empowerment (B-BBEE) Transactions involve initiatives aimed at promoting economic empowerment and inclusivity for specific partners within a company or associated entities. Such transactions may include the sale of shares, the implementation of training and development programs, or the provision of financial assistance.

Balondolozzi votes for the BEE transitions on a case-by-case basis and considered concerns about dilution of shareholder value, financial implications, lack of transparency or due diligence, as well as conflicts with shareholder interests.

### **1.14 Appointment of Social and Ethics Committee members**

The appointment of the Social and Ethics Committee plays a significant role in fostering responsible corporate behaviour as well as advancing ESG objectives across organisational operations. This committee ensures ethical governance, stakeholder engagement, risk management, compliance with regulations as well as the promotion of sustainable practices through transparency in reporting, thus protection of the company's reputation.

Balondolozzi votes in favour of the Social and Ethics Committee members, except under circumstances where:

- Significant ESG risks are evident, yet no observable response or action has been taken by management to address the risks.
- The company's commitment to understanding and addressing its ESG impacts is inadequately disclosed.

### **1.15 Environmental, Social and ethics committee report**

This report provides shareholders with insights into the company's performance and initiatives related to

environmental sustainability, social responsibility, and ethical practices.

Through this report, the company demonstrates its commitment towards ESG risks and opportunities and ensures that shareholders are informed about key aspects of the company's operations beyond financial performance.

Balondoloji votes in favour of the Environmental, Social and ethics committee report, except under circumstances where:

- The company's policy lacks year-on-year emissions targeting as well as clear articulating of its transition towards a low carbon sector.
- There are deficiencies in the governance structure or oversight of ESG concern, which could include concerns about the independence of ESEC members, the effectiveness of ESEC meetings, or the accountability of the committee to shareholders.

### ***1.16 Political donations***

Political donations constitute financial contributions, sponsorships, or in-kind support and further carry implications for corporate governance, transparency, and accountability. Any company intending to make a donation (whether in cash or in kind, and including any sponsorship, or loans or transactions at a favourable rate) to a political party or organisation should be required to have the prior authority of its shareholders.

Balondoloji votes in favour of political donations, provided that enough justification and monetary limits are in place, except under circumstances where:

- The political donation may expose the company to reputational risks and in some cases divert the resources of the company from critical business priorities, especially when there is no clear articulation of how the donation aligns with the company's strategic objectives and values.

### ***King Report on Corporate Governance***

Balondoloji supports the principles and intentions as laid down in the King IV Report on Corporate Governance.