

Responsible Ownership

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This policy on responsible ownership outlines how we discharge our ownership responsibilities on behalf of our clients. It describes the processes and procedures for engaging with companies and proxy voting. To ensure transparency and show our clients that we have discharged our responsibilities as fiduciaries of their wealth, we will make available a record of our proxy voting on our website. This will be done on a quarterly basis. We believe this will allow clients to assess whether we have voted in such a way that protects and grows their wealth over time

Company engagement

Our investment team routinely engages with company management multiple times throughout the year. This gives us an ideal opportunity to gain a better understanding of the business as well as strategy going forward. Furthermore, we can use these opportunities to discuss with management environmental, social and governance issues privately. If we believe that management is not taking our concerns seriously, we may decide to engage with the board of directors or express our concerns in a public forum. Our overriding motivation behind these engagements is to protect and grow our clients' investments. If we believe that the board of directors and management will make the necessary changes to improve our ESG concerns, we may decide to increase our holding in the company. However, if they do not, we will most likely sell down our shareholding, depending on the severity of the ESG issue concerned. In addition, we will try to effect change at the company through our clients' proxy votes.

At 36ONE we do not believe in outright exclusions, rather, where possible, we prefer to firstly engage with companies over a contentious issue. The reason for this is once a company is excluded it is not possible to further engage and we would not be able to use our influence as active investors to seek ESG enhancements.

Proxy Voting Policy

These proxy voting guidelines inform our clients of our default position on a variety of issues. Nevertheless, many issues that are put to a shareholder vote are often complex in nature and each vote needs to be assessed on its individual merits. For this reason, there will be circumstances in which our vote differs from the guidelines described below. Each analyst is responsible for proxy votes relating to the companies they cover. Analysts responsible for proxy voting will be required to vote in a manner that is consistent with this policy.

36ONE's overarching principle when it comes to proxy voting is to exercise our votes in a manner which protects and grows our clients' wealth over time. Should the vote not be covered by these guidelines or the analyst wishes to vote differently to the guidelines because he or she believes voting in accordance with the guidelines will be contrary to our clients' best interests, the analyst would then discuss the resolution with the portfolio manager and the rest of the Sustainable Responsible Investing team. We believe that this additional layer of oversight will enhance our clients' long-term returns.

Generally, proxy votes fall into two broad groups: votes required to fulfil the JSE Listing Requirements and the Companies Act which take place annually at the Annual General Meeting (AGM) and those relating to specific circumstances or transactions. This policy document will deal mostly with votes related to the first set of issues. The second group of votes will be more varied in nature and will therefore require a greater degree of judgement to be exercised by the relevant analyst.

Election of directors

36ONE believes that the board of directors are responsible for ensuring that the necessary oversight and corporate governance is exercised at a company. It is ultimately the board of directors who are responsible for setting a company's strategy. Furthermore, the board must ensure that management is held accountable for their performance and remunerated accordingly. Therefore, the board of directors must have the necessary balance of skills, experience and independence to discharge their responsibilities for the long-term benefit of shareholders. The size of the board of directors should be appropriate for the size of the company. Should we believe that on a balance of the factors listed below the director is not suitable for election, we will vote against the resolution. 36ONE will assess the following factors when voting on the election of directors:

- **Independence**

- To ensure adequate oversight over management, directors should be independent.
- More than half the board should comprise independent non-executive directors.
- The majority of the independent directors should play a significant role in the Audit Committee
- The chairman of the board should be a non-executive director.
- When the CEO retires, they can be appointed to the board, but they should not be appointed as chairman.
- If a director is a major shareholder, employee or ex-employee, supplier or competitor of the company, we view them as non-independent.
- In many cases, directors started off as independent but after spending 9 years on the board, they can no longer be deemed as independent. While we recognise the value of experience that long-standing directors may bring, we are concerned that their thinking regarding the company's strategy may become outdated and that they may lose the scepticism that independent directors should normally bring.

- **Expertise and performance**

The board should include a diversity of experience and a breadth of perspective to provide the company with fresh thinking and insights.

- Directors must have the necessary skills and experience to discharge their responsibilities
- Our assessment of the directors' capabilities will be based on their current CV as well as their experience and track-record on other boards
- We will vote against the election of directors if we believe they sit on too many boards and will be unable to dedicate the required time to fulfil their responsibilities.
- We will also vote against the re-election on a non-executive director who has shown to have poor meeting attendance

Remuneration of directors

Appropriate remuneration is required to attract, motivate and retain talent. The company's remuneration policy will outline the way in which both executive and non-executive directors are compensated. Non-executive directors should be remunerated on a flat fee basis for each meeting they attend. Ideally, management should be incentivised in such a way that aligns their interests with shareholders.

Executive directors' remuneration should comprise of a basic salary and benefits, short-term incentives and long-term incentives. Basic remuneration should be appropriate given the size and complexity of the company as well as the industry in which it operates. We do not believe that management should be given contracts that grant them golden parachutes for early termination. Short-term performance incentives should constitute roughly a third of pay. These short-term bonuses should be paid based on management's achievement of strategic and operational targets set by the board. The targets should be made available to the public so that the remuneration process is transparent, and management's performance can be easily measured.

Long-term performance incentives should be granted to reward management for long-term value creation. These are usually in the form of share-based compensation. Share-based compensation should have vesting periods of at least three years; however, five-year vesting periods are preferable. This ensures talent retention. Share-based compensation should be based on return on invested capital as well as total shareholder returns, which ensures the best alignment between management and shareholders. 36ONE takes an extremely negative view on the issuance of equity to employees, either in the form of shares or options, as part of long-term incentives. Over time, the dilution from issuing equity can have a substantial negative impact on shareholder returns. For this reason, we prefer cash-settled share-based payments. Should the company wish to use an equity-settled scheme, the company must commit to buying enough shares on the open-market to offset any dilution.

Appointment and remuneration of auditors

We will generally be in favour of the appointment of auditors if they have the necessary independence, size, expertise and geographical capability to fulfil their duties. We are supportive of audit firm and partner rotation. The audit fee should be commensurate with the size and complexity of the company. Non-audit fees should be kept to a minimum to ensure auditor independence.

Placing of unissued shares under control of directors/ issuing shares for cash

We would generally vote against this resolution as we believe that the compounding effect of share dilution, even if it is less than 5% per annum, can have a detrimental impact on shareholder returns. Instead, we would prefer if the company obtain a specific resolution for each transaction, so that shareholders can evaluate each transaction's merits. In certain circumstances, such as when management has an excellent acquisition track record, we may grant the directors authority to issue shares.

Share buybacks

We believe that the companies in which we invest are trading at a discount to their underlying value. For this reason, when management of companies that we own buy back shares, they are investing in that underlying value at a discount. The value of the remaining shares increases after the buyback, benefiting shareholders who did not sell. We believe this is good capital allocation as investing in your own shares carries less risk than embarking on new projects. Nevertheless, we do not approve of buybacks if they will be funded using debt.

Approval of annual financial statements

36ONE will generally vote to approve the annual financial statements. In circumstances where either the disclosure in the financial statements is inadequate or there is a qualification of the audit report, we may vote against the resolution.

Corporate actions

Corporate actions will be assessed on a case by case basis.