



**BENGUELA GLOBAL**  
FUND MANAGERS

**BENGUELA GLOBAL FUND MANAGERS (PTY) LTD**  
**Proxy Voting Policy for Listed Equity**

Last updated: January 2024

## TABLE OF CONTENTS

|  |    |
|--|----|
| 1.Introduction   | 3  |
| 2. Benguela Global Fund Managers' approach to proxy voting | 3  |
| 2.1 Introduction   | 3  |
| 2.2 Proxy voting procedures                                | 3  |
| 2.3 Approach to management engagement                      | 4  |
| 2.4 Protecting shareholder rights                          | 4  |
| 2.5 Scrip lending  | 4  |
| 2.6 Conflicts of interest                                  | 4  |
| 2.7 Disclosure and transparency                            | 4  |
| 3. Proxy voting guidelines                                 | 4  |
| 3.1 Introduction   | 4  |
| 3.2 Board of directors                                     | 5  |
| 3.3 Audit committee  | 8  |
| 3.4 Risk management  | 9  |
| 3.4 Financial reporting                                    | 9  |
| 3.6 Remuneration of directors                              | 9  |
| 3.7 BEE transactions & empowerment deals                   | 12 |
| 3.8 Capital structure                                      | 13 |
| 3.9 Changes to memorandum of incorporation                 | 15 |
| 3.10 Political donations                                   | 15 |
| 3.11 Environmental and social issues                       | 15 |
| 3.12 Shareholder proposals                                 | 16 |

## 1. INTRODUCTION

This document sets out Benguela Global Fund Managers' policy and guidelines for the voting on shareholder resolutions as they related to listed equity. This Policy should be read within the broader context of the Code for Responsible Investing in South Africa ("CRISA") and the UN principles for responsible investing ("UNPRI"). Benguela Global Fund Managers (hereinafter referred to as "Benguela") takes its responsibility as a shareholder and / or shareholder representative seriously. Proper governance and oversight are important, and company management need to be held accountable for overall company performance and its conduct within the society and environment in which it operates. As an investment manager, it is our duty to effectively exercise our shareholder rights on behalf of our clients.

In line with CRISA, we engage investee companies regarding environmental, social and governance ("ESG") issues. For listed equity, we vote all proxies and disclose our voting records to our clients. Our Listed Equity Proxy Voting Policy and procedures are available in the public domain and are also reviewed from time to time when considered necessary.

The rest of this document is structured into two broad sections: Section 2 deals with the Benguela approach to proxy voting; and Section 3 deals with the guidelines that we apply when voting proxies on behalf of our clients.

## 2. BENGUELA GLOBAL FUND MANAGERS' APPROACH TO PROXY VOTING

### 2.1 INTRODUCTION

Benguela's primary aim is to ensure the achievement of superior risk-adjusted returns for clients in line with the mandates granted to us. This needs be done in a way that typifies investing in a responsible manner, as otherwise we believe that returns will not be sustainable in the long-term. Proxy voting and management engagement are an integral part of Benguela's investment strategy and research, all with the ultimate aim of enhancing long-term value.

Confidence in good corporate governance, and the quality of management are essential to long-term value creation and investor confidence. Benguela aims to contribute to overall investment performance by supporting the application of excellent standards of corporate governance in the companies in which it invests on behalf of clients.

Our approach to proxy voting draws on aspects of the King IV Code on Corporate Governance, the Companies Act, international guidelines such as the OECD Corporate Governance Principles (2004), the ICGN Global Corporate Governance Principles (2005), the United Nations Principles of Responsible Investing (UNPRI) and the Code for Responsible Investing in South Africa (CRISA).

Benguela understands that clients may have their own proxy voting policies which they may wish Benguela to implement.

Where this occurs, Benguela will adhere to the client's proxy voting policy, in accordance with their wishes.

All members of the investment team at Benguela are responsible for the ownership of the proxy voting policy, however overall oversight and responsibility of its implementation lies with the Head of Research.

### 2.2 PROXY VOTING PROCEDURES

The actions of Benguela are always subject to client instruction with regard to the manner of voting. Failing direct instruction, Benguela will vote using its proxy voting guidelines. Where a client proposes broad policy principles, Benguela may highlight to the client where there is a risk of misinterpretation in the application of these principles in a specific voting matter.

Benguela commits to voting on all shares held in client portfolios. If Benguela is in a position where there is not an analyst with the requisite knowledge to make an informed proxy voting recommendation, or if the portfolio manager is not in a position to proceed with an informed vote either, Benguela will abstain.

Benguela recognises that it is in a position of trust in respect of client investments and their voting proxies. We have a duty to act with due skill, prudence, and care when voting proxies granted to us. In deciding how to apply our proxy voting policy, Benguela will consider the circumstances of each vote as well as the general principles contained in this policy. If it is not clear how to apply the policy for a particular vote, decisions on how to vote should be based on what will best serve the long-term interests of our clients.

The recommendation regarding each proxy is determined by the Benguela research team. Where required, the research analyst may call on the support of an independent analyst and/or the support of the Investment Committee. The research analyst makes a recommendation to the relevant portfolio manager, either written or in discussion, having taken this policy document into account. Thereafter, the portfolio manager considers the analyst's recommendation and makes a decision in the context of what will best serve the long-term interests of their client. The portfolio manager vote is then executed. In some cases, where it is considered important to attend and vote at a specific shareholder meeting, a representative may be sent to execute the vote at the actual meeting.

A portfolio manager need not follow the given recommendations if it is in their clients' best interests not to do so. Consequently, it is possible that the clients' proxy vote may be affected differently from that which was initially recommended.

Situations often arise in which more than one Benguela client invests in the same company, or in which a single client may invest in the same company but in multiple accounts. In an instance where two or more clients, or one client with different accounts, may be invested in strategies with different investment objectives, investment styles or portfolio managers, Benguela may cast different votes on behalf of different clients, or on behalf of the same client with different accounts. These situations will be managed in what we consider to be the most reasonable manner possible.

## 2.3 APPROACH TO MANAGEMENT ENGAGEMENT

Benguela's research analysts interact regularly with company management on operational and company specific issues, as well as on issues related to governance performance. Benguela will generally engage with investee companies to ensure that they have a clear understanding of the reasons for voting against resolutions.

Benguela might prefer not to take a public route when seeking change at companies. Our preference is to work constructively with Boards and management behind the scenes to achieve positive change. However, where no progress is made over an extended time period, Benguela may, as a last resort, use the press and other public forums to drive change. We will normally notify a company in advance of briefing the media about taking this approach.

Where we believe it will be in the best interests of our clients, and where we have exhausted our behind-the-scenes engagement with management, we will seek out opportunities to collaborate with other co-investors on material issues as a means to drive change. Where such collaborative efforts are undertaken we will ensure that conflicts of interest and issues relating to "acting in concert" are appropriately addressed.

## 2.4 PROTECTING SHAREHOLDER RIGHTS

Benguela will seek out opportunities to promote and protect shareholder rights through the participation and development of policy, regulation, and standards governing the listed equity market. This may entail interaction, in the South African context, with the Financial Sector Conduct Authority (FSCA) and the Johannesburg Stock Exchange (JSE).

## 2.5 SCRIP LENDING

Benguela understands that scrip lending is an important feature of the listed equity market and that it has the potential to improve market liquidity, reduce trading risks and provide an additional return to its clients. We also note that scrip lending, depending on how it is utilised and managed, can increase share price volatility and speculation and could distort the outcome of shareholder votes. As a result, Benguela will work towards the application of the International Corporate Governance Network Securities Lending Code of Best Practice.

Key elements of the Code include:

- Ensuring that scrip that is lent is voted in a manner that is aligned with the way in which Benguela would exercise the vote;
- Providing clear guidance as to when shares can be lent, when they can be recalled, or when they should be withheld from lending;
- Ensuring transparency in scrip-lending practices and providing disclosure to clients on request; and
  - Defining the scope of scrip-lending practices clearly in client mandates (or if scrip lending is permitted at all in terms of the mandate).

## 2.6 CONFLICTS OF INTEREST

As with most business relationships and dealings, conflict of interest may occur in the course of our own work. The FSCA defines conflicts of interest under FAIS legislation as "Any situation in which a provider or representative has an actual or potential interest that may, in rendering a financial service to a client –

- (a) influence the objective performance of his, her or its obligations to that client; or
- (b) prevent a provider or representative from rendering an unbiased and fair financial service to that client, or from acting in the interest of that client, including but not limited to –
  - (i) a financial interest;
  - (ii) an ownership interest;
  - (iii) any relationship with a third party."

Benguela has implemented a Conflict of Interest policy, which is publicly available on our website. The purpose of the policy is not only to comply with the FAIS Act, but also to delineate the parameters for disclosing and managing any conflicts of interest that may arise in the rendering of financial services to clients. The Conflict of Interest policy is applicable to all Benguela's key individuals, representatives and employees. The Conflict of Interest policy was approved by Benguela's Board of Directors.

Conflicts of interest manifest in a number of ways in the asset management industry. Once a conflict is identified, we either avoid such conflicts or suitably mitigate and disclose them. We have identified key conflicts within our business, which we proactively manage and monitor in a number of different ways. These include:

- A Personal Account Trading policy which governs any trading for own account by all staff, key individuals and representatives;
- A Conflict of Interest policy which governs the giving and receiving of gifts (which are recorded in a gifts register). All staff, not only Key Individuals and Representatives in terms of FAIS, must adhere to the Conflict of Interest policy. The Conflict of Interest policy forms part of the Benguela's Code of conduct (which all employees, directors etc. must adhere).

## 2.7 DISCLOSURE AND TRANSPARENCY

Benguela will maintain a copy of the Proxy Voting Policy on its website. Proxy records will be made available on the Benguela website. The policy will be reviewed and updated, where necessary, on a periodic basis. On an annual basis, Benguela will provide disclosure on its responsible ownership practices (being guided in the South African context by CRISA).

## 3. PROXY VOTING GUIDELINES

### 3.1 INTRODUCTION

This section provides an overview of the general principles and guidelines that Benguela Global Fund Managers will apply when

voting listed equity proxies. These proxy voting guidelines draw on: the King IV Code on Corporate Governance; the South African Companies Act of 2008; the listing requirements of the JSE, as well as international guidelines such as the OECD Corporate Governance Principles (2015); the ICGN Statement on Global Corporate Governance Principles (2017); and Code for Responsible Investing in South Africa (CRISA).

Benguela will exercise each proxy on the merits of the case at hand, and from the viewpoint of the client, without regard to any interests of Benguela, its staff, officers, directors or its associated companies. Analysts and portfolio managers may choose to vote in a manner that is contrary to what is presented in this document. However, in such instances deviations from the guidelines have to be recorded and explained. Where separate client proxy voting instructions are provided Benguela will abide by client instructions (provided those instructions are received timeously).

## 3.2 BOARD OF DIRECTORS

### 3.2.1 General principles

- Benguela assesses each proposal on Board composition and responsibilities on a case-by-case basis, considering the circumstances of the company, its track record and overall governance framework.
- The performance of the Board is hugely significant to the financial performance of a company. As long-term investors, we support Boards who stay true to their legal/ fiduciary duties and whose actions drive long-term value creation for its Shareholders. As such, our active ESG engagements often include areas of Board composition and disclosure improvements if such exist.
- Benguela supports the guidelines in King IV with regards to Board composition, function and responsibilities, including that:
  - Board members must act with the highest level of integrity – act in the best interests of the organisation, comply with their fiduciary duty, and create an ethical culture throughout the company by acting with a strong set of ethical principles that go beyond mere legal compliance;
  - The Board has overall accountability for the affairs of the company, even where duties have been delegated;
  - The responsibilities of the Board include *inter alia*: providing strategic direction; retaining full and effective control; complying with laws and regulations; defining levels of materiality for different aspects of business activity; identifying, monitoring and taking responsible and measured actions in considering key risks and opportunities, including performance of senior / executive

management; and having a written Board Charter and/ or Terms of Reference for its various Board Committees;

- The above responsibilities must be applied in a manner that is aligned to responsible investing principles;
  - The Board should adopt and promote transparency across the business;
  - The unitary Board includes an appropriate mix of executive and non-executive/independent directors to discharge its roles and responsibilities effectively.
- Benguela will generally vote against board elections/ re-elections where the company has not provided sufficient disclosure on and demonstration of the above.

### 3.2.2 Board responsibilities and performance

- Benguela supports companies where the Boards have a formalised and systematic process of assessing and evaluating the performance of the Board, its committees and individual directors. Benguela will vote in favour of proposals to structure Board committees with specific terms of reference and identified roles and responsibilities.
- The responsibilities and levels of performance by Board members must be disclosed to shareholders ahead of annual general meetings. Without such disclosure, Benguela will vote against director elections or where the assessment framework is considered inadequate.
- The Board must ensure that necessary succession planning is in place for the role of the Chairperson and CEO.
- The Board must make themselves available for shareholder engagements. Should the board members deny such engagement, Benguela will most likely vote against the relevant director re-elections.
- The Board must take action on the resolutions approved at shareholder meetings. Benguela will most likely vote against the relevant directors or the entire Board where approved resolutions are not implemented.

### 3.2.3 Board and board committee composition & independence

- Benguela supports Board structures where all the directors are able to act only in the best interests of the company, its shareholders and other stakeholders in an inclusive manner, and where they may exercise independent judgment and decision-making.
- A fundamental aspect of a well-balanced and well-governed Board is one where the majority of directors are independent non-executives. Benguela will generally vote in

favour of Boards that are composed of a majority of independent directors, where the Board structure does not allow the concentration of power in the hands of a small quorum of directors.

For the purposes of assessing whether directors can be considered independent, the following will apply:

The director:

- has not been employed by the company or the group in any executive capacity for the preceding five financial years.
  - is not an immediate family member of an individual employed by the company or the group in an executive capacity in the preceding three financial years;
  - is not a professional advisor to the company or the group other than in the capacity as a director;
  - is not a significant or material supplier or customer of the company or the group and is not materially associated with such a supplier or customer;
  - has not been a key member of the audit team of the external audit firm during the preceding three financial years;
  - has no significant or material contractual relationship with the company or the group (other than as serving as director);
  - is not a substantial shareholder of the company;
  - does not participate in a share-based incentive scheme offered by the company or receives remuneration that is contingent on the performance of the company;
  - was not nominated by a major shareholder, represents any shareholder who has the ability to control or materially influence management and/or the Board, or is not otherwise associated directly or indirectly with a substantial shareholder of the company;
  - is not a material provider, or representative of a provider, of financial capital to the company;
  - is free from any business or other relationship which could be seen to materially interfere with his/her ability to act independently;
  - tenure on the Board does not exceed nine years; and o does not meet any other criteria that may be applicable in terms of relevant legislation.
- Where the Board is insufficiently independent, Benguela will likely vote against the:
- Members of the nomination committee if any are available for re-election; or
  - Chairman of the Board or the longest tenured non-independent director that is eligible for re-election where the non-independent Board members are not eligible for re-election.

### 3.2.4 Board size

- Benguela will vote for proposals that fix the Board at an appropriate size given the size and complexity of the company and industry in which it operates. Board size should also be viewed alongside the necessary diversity of skill and experience that may be required.

### 3.2.5 Board Diversity

Benguela believes that Boards and Board Committees should aim for an appropriate level of diversity in terms of skills, race and gender, representative of the social transformation agenda of the country. As such, Benguela will generally vote for Board committees where at least one-third of Board positions are held by women.

Where a Board does not meet Benguela's gender diversity goals, Benguela will likely vote against:

- All members of the nominations committee; and
- All male members of the Board.

### 3.2.6 Role of CEO and Chairperson

- Recognising the importance of a Board structure where power and authority is not vested in one person, Benguela will vote against proposals where the role of CEO and Chairperson are combined, based on the fact that Listed companies are expected to comply with rule 3.80 of the JSE Listing Requirements: Continuing Obligations, which requires a separation of roles.
- In exceptional circumstances, Benguela may vote for a combined role in listed companies after taking the following factors into consideration:
- The overall governance structures and quality of independence of the Board;
  - A majority of independent Board members;
  - A lead independent non-executive director that fulfils all of the independence requirements outlined above;
  - Majority independent Board committees, chaired by independent directors.
- Benguela will generally vote against a proposal that the Chief Executive Officer move into the position of Chairperson following his/her retirement without a reasonable cooling off period of at least five years.
- Furthermore, it is discouraged for a retiring CEO to remain on the board in any position. Where this does occur, the retiring CEO should not be granted membership to board committees where full independence is a requirement.
- Benguela believes in the appointment of a lead independent director even if the Chair is independent as it provides an additional channel for communication between external stakeholders and the Board on areas that may involve conflicts of interest.

### 3.2.7 Election of directors

- Benguela is of the view that individual directors must commit an appropriate amount of time to Board-related matters and, where appointed, to relevant Board committees. Benguela, given the circumstances, will decide on the appropriate limit to the number of Board positions held by a particular director given their specific circumstances, in

order to ensure that the individual is able to satisfactorily fulfil their duties to each particular company and add value to the company concerned.

➤ Votes on director nominees are made on a case-by-case basis after examining:

- the composition of the Board and key Board committees;
- the qualifications and experience of the directors;
- the suitability for participation in Board committees;
- the availability of the director considering other external responsibilities and roles;
- in the case of re-elections, attendance and participation at meetings;
- the corporate governance framework of the Board;
- the overall demographic composition of the Board;
- any other factor considered relevant which pertains to the nominee.

➤ Benguela will vote against nominations/ re-elections for directors and Boards where:

- a director has attended less than 75% of Board and committee meetings;
- there is concern of over-boarding. Benguela will likely vote against director (re)election due to insufficient capacity if the following applies<sup>1</sup>:
  - a full-time executive director of a listed company holds more than two nonexecutive directorships (excluding directorships of subsidiary companies);
  - a non-executive director holds greater than four non-executive directorships at publicly listed companies (but is not the Chair);
  - if the non-executive is a Board Chair and holds greater than three non-executive directorships at publicly listed companies in total;
  - if the non-executive is a Board Chair on two listed company Boards and holds any additional non-executive positions.
- nominees have implemented or renewed any "poison pill" provisions;
- the nomination of a non-independent nonexecutive director to the Audit, Remuneration or Nomination Committee is made.
- the vote will result in the Board having a minority of independent directors.
- enacted or sanctioned poor corporate governance practices or policies; and/or

- failed to replace senior management where appropriate, including poorly performing managers.
- the director has previously failed to comply with the disclosure requirements in respect of JSE listing requirements on share dealings, unless adequately explained.
- any director who has dealt in the company securities during a closed period. Benguela considers ethical and lawful dealing in own securities by directors in an important light, and with a critical governance lens.

➤ Benguela will vote against proposals for the nomination of directors where there is insufficient information regarding the nominee to enable shareholders to make an informed decision. Proposals for nominations of directors should include information concerning their:

- experience;
- qualifications;
- categorisation of Board member into executive and non-executive;
- other fiduciary commitments (such as other directorships, trusteeships or curatorships)
- proposed role on the Board;
- tenure on the Board of the company; ○ possible conflicts of interest; and
- fulfilment of specific industry / legislative compliance requirements.

➤ Benguela will vote against proposals that provide that only continuing directors may nominate replacements to fill Board positions. Shareholders must elect replacements for vacant Board positions.

➤ Benguela will vote against resolutions where directors seeking election or re-election are proposed in a single or collective resolution. An individual resolution must be proposed for each director seeking election or re-election.

➤ Benguela supports the annual re-election of board members to ensure regular touch points of accountability. Where there is no annual re-election, Benguela insists on a three-year board re-election policy.

➤ Shareholders are ultimately responsible for electing or removing Board members, and it is in their interest that the Board is properly constituted. Benguela will thus support changes to Memorandums of Incorporation which ensure that both Executive and Non-executive directors retire by rotation.

<sup>1</sup> \*Benchmarked against largest global asset managers (non-exhaustive list below):

• BlackRock: executive role + max 1 non-executive role; max 4 nonexecutive roles; non-executive board chair + max 2 additional nonexecutive roles; 2 non-executive board chair roles + 0 additional nonexecutive roles

### 3.2.8 Directors and officer indemnification and discharge

- Benguela will vote against proposals to entirely eliminate directors' and officers' liability for damages for violating a 'duty of care or diligence. We will generally vote against proposals that extend indemnification to directors for acts such as gross negligence, fraud and breach of fiduciary duties.
- Where Board discharge resolutions are routine, Benguela will generally support such discharge of Board responsibilities where the Board composition, attendance and performance was aligned to the duties of the Board as outlined above. Where there are concerns regarding the action of one director/ directors that are not up for re-election, Benguela may not support the discharge of the Board's responsibilities as a method of holding directors to account.

### 3.2.9 Board committees

- Benguela will, generally, vote in favour of board committees and their participants where the following applies:
  - Each committee has the relevant knowledge, skills, experience and capacity to execute on its duties effectively;
  - Each committee has at least three members;
  - The nomination and risk governance committee consists of only non-executive directors, with the majority being independent;
  - The remuneration committee is made up wholly of independent non-executive directors;
  - The audit committee is made up wholly of independent non-executive directors;
  - The social committee has a mix of executive and nonexecutive directors, but with the majority of members being non-executive.
- Vanguard: executive role + max 1 additional non-executive roles; max 4 non-executive roles
- State Street: Board chair/ lead independent directors + max 3 additional non-executive roles; max 4 non-executive roles
- Benguela will not support the re-election of board committees and their members under the following circumstances:
  - Nomination & corporate governance committee: The committees support the continuation of a company's dual-class stock structure.
  - Remuneration committee: The committee does not align remuneration with the performance of the company, supports excessive remuneration and severance packages, and allows for the repricing of underwater options without shareholder approval.
  - Committee member elections are bundled into a single voting resolution where there are one or more non-independent directors in the

committee for committees that require entire independence.

## 3.3 AUDIT COMMITTEE

### 3.3.1 General principles

- The Audit Committee has primary responsibility over the appointment, reappointment and removal of the company's external auditor and oversight of the annual external audit of the company. If the Board does not accept the Audit Committee's recommendation, it should set out reasons why the Board differs.
- The Audit Committee should be established with formal and transparent arrangements for considering how they should apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the company's auditors.
- The Audit Committee should have written Terms of Reference dealing adequately with its membership, appointment process, authority, duties, roles, responsibilities and legislative requirements. The Terms of Reference, along with the Committee's compliance to such, must be disclosed in the company's annual report and available to shareholders.
- The Audit Committee should review arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

### 3.3.2 Membership and appointment

- Audit committee should consist of at least three members, or in the case of smaller companies, possibly two members. Benguela will vote against members who are not independent.
- All members of the Audit Committee must be independent.
- The chairperson of the Audit Committee should not be the chairperson of a company's Board.
- The committee chairperson must have the requisite accounting, audit and financial expertise – at least one member of the Audit Committee must have recent and relevant financial experience.
- The Audit committee must ensure the provision of separate disclosures in a company's annual financial statements on the code of principles regarding the conditions under which the external audit firm will provide non-audit services and the amount paid to the external auditors for non-audit services as opposed to audit services.
- Benguela will support the rotation of audit firms on an eight-year basis and the rotation of audit partners on a five-year basis.



### 3.4 RISK MANAGEMENT

Benguela believes that a company that proactively discloses, assesses and manages key risks are in a better position to make informed strategic decisions that fall within the company's risk appetite.

- Benguela supports the formation of a risk committee to monitor the relevance and materiality of risks over time.

### 3.5 FINANCIAL REPORTING

- All financial reporting by a company must be prepared in accordance with the International Financial Reporting Standards (IRFS).
- The Board of a company must present a balanced and an understandable view of the company's financial position and the company's ability to continue as a going concern. This includes sustainability-related factors that may impact the company's long term value creation.
- A company's annual report must contain a statement from the Board outlining their responsibility for preparing the accounts and a statement from the company's auditors concerning their reporting responsibilities and findings.
- Where non-financial aspects of reporting have been subject to external valuation or review, this fact must be stated and details provided in the company's annual report.
- Companies should make every effort to ensure that information is distributed to stakeholders via a broad range of communication media and that such information is disseminated to all stakeholders simultaneously, where possible.
- A company's Audit Committee should determine whether or not a company's interim results should be audited.
- Benguela will vote for proposals to approve financial or directors' reports only if the reports are available to all shareholders adequately ahead of the shareholders' meeting.
- Benguela will vote in favour of a resolution to approve the annual financial statements of a company where it considers the annual financial statements to be a fair reflection of a company's financial position for the period. In considering its vote, Benguela will assess whether there has been an audit qualification for the period and whether there has been a material omission of information that may result in a negative vote in the circumstances.
- Should Benguela not approve the annual financial statements of a company for whatever reason, it will provide an explanatory note outlining its rationale for declining to approve the annual financial statements.

### 3.6 REMUNERATION OF DIRECTORS

#### 3.6.1 General Principles

- Drive Long Term Value Creation: Director remuneration should be sufficient to incentivise and retain excellence on the Boards of companies. Importantly, remuneration targets should be structured to *create strong alignment between executive management and long-term shareholder value creation*. Benguela believes that shareholder value creation is generated by delivering risk-adjusted returns that exceed a company's cost of capital over the long term. This includes achieving positive outcomes on both financial and sustainability targets and linking remuneration targets closely to a company strategy that generates long term value for all stakeholders. While it is difficult to define set universal remuneration parameters, Benguela will make use of empirical studies and comparative peer analysis to gauge the appropriateness of remuneration packages. Benguela will vote against remuneration policies where director pay, company performance and shareholder outcomes are misaligned.
- Independent Remuneration Committee: Benguela expects the Board to maintain a Remuneration Committee that is responsible for the oversight of the company's executive remuneration programme and for evaluating the performance of senior / executive management. To be effective, provide objective oversight and avoid conflicts of interest, this committee must be made up *entirely* of independent non-executive directors. The chairperson *must* be an independent non-executive director as well. Directors who are chief executive officers of other companies should not sit on the committee. Members of this committee should not be nominated or selected by management. Executives may attend on invitation by the Committee, but must recuse themselves when their own remuneration is under consideration.
- Transparency: Remuneration paid to each executive director and non-executive director must be *fully disclosed* as part of the annual reporting suite. Remuneration policies should transparently reflect how the structure of incentives supports delivery on the company's strategy to create long term value.
- Shareholder Vote: Remuneration of executives and senior management should be guided by a remuneration policy which should be *tabled for a non-binding shareholder vote* on an annual basis and when any change is proposed. Where the remuneration policies have been voted against by more than 25% of shareholders, the Board must engage and address shareholder concerns in good faith.
- Engagement: Benguela may engage with companies where we find concern with the above general principles to remuneration. It is preferable to engage with independent members of the Remuneration Committee. Benguela will generally vote against remuneration policies where there is a lack of responsiveness to shareholder concerns raised at prior AGMs.

### 3.6.2 Remuneration Disclosure

Benguela supports companies that enhance their disclosure. In line with best practice, remuneration disclosure should contain details on the following:

- disclosure of directors' interests, including a director who has resigned during the reporting period;
- disclosure of individual directors' remuneration and benefits, including those of any director who has resigned during the reporting period;
- basic salary, bonuses and performance, share based payments, granting of options or rights, related payments and sums paid by way of expense allowance or any other special payments made;
- contributions paid under any retirement scheme or arrangement;
- any commission, allowance, gain or profit-sharing arrangements;
- detail regarding any other material or extraordinary payments with an explanation on rationale of such payment - payments made during sign-on, termination, to retain or regarding restraint of trade agreements;
- performance levels required to achieve threshold, target and stretch target incentives, with the levels of remuneration to be awarded at each level;
- detail regarding share options including assumptions made in calculations and the maximum and expected potential dilution that may result from incentive awards granted in the current year;
- disclosure on the above for the three most highly paid employees who are not non-executive directors of the company;
- retrospective performance achieved;
- charts comprising company performance and CEO pay;
- detail regarding remuneration consultants and fees paid;
- composition of the Remuneration Committee;
- malus and clawback provisions;
- remuneration paid to non-executive members of the board;
- any changes to the remuneration policy from the prior year and the rationale for such change;
- a statement in relation to votes cast in relation to remuneration at the last AGM. This statement should

include reasons for substantial votes against and actions taken in response; and

- any other material benefits received, with an explanation as to what this includes.

### 3.6.3 Executive Remuneration Principles

- A balance between fixed and variable pay is considered. The *majority* of executive remuneration should be linked to both business targets as a whole, and the performance targets of the executive concerned. Variable pay targets should be weighted in the majority to longer-term (3 – 5 years) performance metrics, rather than single tenured metrics. Benguela will vote for variable pay performance targets which include a return metric (preferably return on invested capital (ROIC)) as the single largest weighting in the target mix, followed by a leverage metric as second most important and then a growth metric, in that order. There needs to be a direct, demonstrable link between performance and remuneration.
- Fixed pay should reflect the appropriate cost for the complexity of the position. Benchmarking should be used as a reference point, rather than a starting point. Peers used in the benchmarking process must be relevant (geography, size of company, complexity of company, industry). Strong rationale must be provided for large annual pay increases, benchmarking and adjustment on new hire is not sufficient. We will not support the inclusion of guaranteed salary increases or bonuses over a multi-year period.
- The personal performance targets for executives must include a combination of financial and non-financial targets. Benguela supports a set of non-financial metrics that measures progress in achieving the following: social equality (diversity, reducing pay-gaps); sustainability and corporate governance & culture. A narrow focus on either one or the other is not likely to serve a company well.
- Incentive plans should transparently reflect how the remuneration targets reflect strategy, explicit metrics that shareholders can utilise in assessing executive performance and the timeframes over which these hurdles should be met. The performance metrics should be sufficiently stretched to achieve sustainable risk-adjusted returns, not drive excessive risk taking.
- Business performance objectives – fixed or absolute targets - and pay levels should be benchmarked against industry and appropriate competitor performance. The reasons for setting such targets should be disclosed to shareholders.
- Remuneration of executive management should be responsible in relation to total employee remuneration.
- Limited discretion should be left to the remuneration committee in determining executives' variable incentive pay. Long term incentives should be just that, incentives that drive execution on the company's long term (at least 3 to 5

years) strategy. As such, there should be limited room for discretionary changes in reaction to short term events.

- Changes in remuneration structure from year to year are considered and the rationale behind the changes made.

### 3.6.4 Share-based Compensation and Other Incentives

- Benguela will not support the granting or vesting of incentives that are not linked to pre-determined explicit performance criteria and where the period of measurement is not in favour of long-term value creation, where long-term value creation is defined as a company's returns exceeding its cost of capital.
- Benguela will not support share option schemes where the vesting periods are less than three years and the directors have unrestricted discretion with regards the shortening of vesting periods. Vesting periods may only be shortened in respect of retirement, retrenchment, death or change of control of the company. In the event that the share scheme rules do not provide for a limit on the director discretion, this must be confirmed in writing by the issuing company.
- Share based incentive schemes are preferred to stock options. Stock options can drive short termism.
- Benguela will generally not support the re-pricing share options that are "under water".
- Benguela will not support options and grants issued at a discount to the market price – pricing should be set at the market price.
- Benguela will generally not support share grants priced at a discount to net asset value per share.
- Benguela will only support proposals where the quantum, strike price, time of issue and assumptions regarding valuation of options and grants have been disclosed.
- The potential dilution of shareholder funds or equity should be limited and the maximum possible dilution (i.e., face value) should be disclosed, and particularly if it is material.
- The group aggregated dilution from a new issue of shares should be limited to 10% of issued share capital in any rolling ten-year period (as adjusted for scrip/bonus and rights issues).
- Benguela may not support a short-term incentive scheme where the maximum incentive is uncapped unless a clear motivation with full disclosure on the performance requirement is provided. Upper limits of such schemes should be capped as a percentage of basic remuneration.
- Benguela will not support incentive plans where retrospective changes are made to performance conditions.
- Benguela discourages the use of derivative instruments by option participants prior to end of the vesting period.

Benguela expects full disclosure on any hedging of shares – hedging against downside price risk, compromises the goal of aligning management to shareholder interests.

- Benguela supports the building of a meaningful shareholding in the company by Executive Management in order to align their interests closely to that of shareholders. Benguela believes a meaningful shareholding is equal to at least one year's total remuneration (fixed and variable).
- Without sufficient rationale and disclosure, Benguela will generally not support the payment of once-off incentives.

### 3.6.5 Employment contracts, Severance, Retention and Retirement Benefits

- Pension / retirement benefit entitlements often represent a significant and costly item of director remuneration. A company should make informative disclosures identifying incremental value accruing to pension scheme participation, or from any other retirement arrangements, relating to service during the year in question. This should include the cost to the company, the extent to which liabilities are funded, and aggregate outstanding unfunded liabilities.
- Exit provisions must be monitored to ensure the absence of provisions such as "poison pills" or inappropriately generous "golden parachutes" or "golden handshakes". The size of a severance package should be capped at one year of fixed remuneration (excluding non-compete agreements). Specifically, there should be no waiver of financial performance targets/ immediate vesting should there be a change in control of the company or where subsisting options and awards are "rolled over" in the event of a capital restructuring and/or early termination of a participant's employment. Short- and long-term unvested incentives may be paid on a pro-rata basis based on time and performance to forced leavers who performed well.
- Benguela will not support the payment of severance packages to executives who have left the company due to poor performance or voluntary resignation. Unvested incentives should lapse in such circumstances.
- Benguela will generally not support the payment of retention packages. In our view, such payments are not an effective method of retention.
- Benguela will not support the provision of financial assistance to management unless a well-detailed rationale for such is provided.
- Recruitment packages should be linked to the company's performance.
- Where a company releases an executive director to serve as a non-executive director elsewhere, the remuneration report must state whether the director is permitted to retain any remuneration, including share options.

### 3.6.6 Non-executive Remuneration

- Non-executive remuneration should be merit based, appropriate and determined according to performance standards. There may be differences between non-executive directors. Remuneration should be directly linked to the time, commitment and expertise of the non-executive director. Measurements in this regard should be defined and objective. Inherent to their duties, non-executives should share their skills and knowledge, therefore Benguela does not support the payment of any additional consultancy fees.
- Fees for non-executive directors should be proposed to shareholders for their approval on an annual basis. Explanations for the resolutions provided in the notice of the meeting should clearly indicate the quantum of fees proposed for the Chairman, the Deputy Chairman, Lead Independent director, the Chairman of the Board committees, members of the committees and directors.
- Benguela will support non-executive directors being paid an attendance fee and will support individual director's fees reflecting attendance levels, as well as participation on board committees.
- Share options for non-executives will not be supported as Benguela is of the view that it compromises their independence. Benguela will, however, support a proposal where a portion of director fees is paid in shares, subject to vesting conditions applying.
- In exceptional circumstances, and only once alternate strategies have been explored and rejected, Benguela will consider a one-off share option grant to non-executive directors as a specific empowerment strategy and for justifiable commercial reasons, subject to the following:
  - full disclosure of quantum, strike price, time of issue and assumptions on valuation;
  - the grant is linked to business and personal performance targets;
  - the grant has a vesting period of at least three years;
  - the grant is made at market or mid-market price with no discounting.
- The scheme rules require the non-executive director to retain the options for one year after termination of the director's contract.
- The Board is sufficiently independent (by number of people) after issuing the shares to non-executive BEE candidates.

## 3.7 BEE TRANSACTIONS & EMPOWERMENT DEALS

### 3.7.1 Principles for broad-based black economic empowerment (BBBEE) transactions

- Benguela recognises that BBBEE is an important social and business imperative and that BBBEE transactions are important to the success of the companies in which Benguela invests. We have a duty to its clients to act in their best interests in evaluating such transactions. Benguela will support proposed broad-based black economic empowerment (BBBEE) transactions which have a good investment case and that are sustainable.
- BBBEE transactions should create meaningful long-term and on-going BEE participation in the company. This will inevitably be evaluated on a case-by case basis and will focus on mechanisms employed to ensure long-term sustainability of the BBBEE arrangement. Such mechanisms could include but are not limited to minimum lock-in arrangements, limitation on selling of BEE equity stakes etc. As a minimum, Benguela is supportive of BEE transactions that have a minimum of a seven-year lock-in, with further requirements that sale of equity can only be undertaken to suitably qualified BBBEE parties.
- Benguela expects that companies would demonstrate the benefits of such a transaction and calculate and disclose the economic cost thereof and impact on key financial metrics. The economic cost will include the cost of any discount to the market price of shares issued or sold to the black economic empowerment (BEE) parties and/or the effective cost of any funding or option arrangement. Such economic cost should be calculated using generally accepted financial or option valuation methodologies applicable to the situation. Benguela will consider whether such costs are fair in relation to the expected benefits and fair in relation to norms in the marketplace. As a guideline, the economic cost should be 3% - 6% for a 10% - 25% stake. In the case of BBEE deals subsequent to the first round BBEE deal, a 3% - 6% dilution is applicable for 10% - 25% BEE stakes in aggregate of all BBEE deals.
- The structuring and designing of the BEE scheme and selection of participants in such a transaction remain the prerogative of a company's management. Full and detailed disclosure by a company needs to be provided on all relevant terms of the BEE deal. Benguela expects management to clearly justify the structure and composition of the BEE deal. The transaction and its funding structure should be created to endure changing market conditions. In the case of a self-funding BEE structure, the deal should be based on realistic/ achievable returns to ensure that ownership transfer is successful and sustainable and without burdensome financial implications on the empowerment partners. There should not be suspensive conditions that can reverse the transaction at a later date.
- To the extent that a BEE transaction is put in place to meet BEE legislation (such as the Department of Trade and Industry (DTI) Codes), or to meet the requirements of an industry charter, we would expect the company to obtain the necessary sign off, advice (legal or otherwise) and/or evidence that the transaction complies with such legislation or charter; and that such sign-off, advice and/or evidence be disclosed to shareholders. A transaction which does not

meet legislative or charter requirements, or where insufficient comfort is provided to shareholders that it does meet such legislative or charter requirements, is likely to be rejected in the absence of other strong reasons provided by the company concerned.

- Such legislation or charter may have certain ownership targets in the future, and therefore Benguela would need to gain comfort on the extent to which the transaction meets current and (is likely to meet) future requirements.

### **3.7.2 Principles applying to BEE constituents in transaction consortia**

- Each component forming part of a consortium that is party to a BEE transaction should be justified on a cost-benefit basis on its own merits. Benguela favours the composition of a consortium that would add the most net value (given cost). The choice of the constituents and the evaluation of which will add the most value to the company, is the responsibility of management, who will be required to justify their choice. The BEE empowerment partner should thus be able to add value through skills or revenue generation opportunities, as examples, rather than acting as only a front for the deal.
- BEE constituents should hold full shareholder rights from inception of the deal.
- Subject to the above, all things being equal, Benguela favours BEE transactions that are as broad based as possible, and therefore will generally support proposals where staff, customers and other stakeholders are included in the transaction deal. We would classify a transaction as broad based if more than 70% of the shares acquired are for the benefit of a broad base of constituents.
- In so far as any component in a BEE transaction is not broad based and there is a cost to the company with regard to the transaction, Benguela would expect empowerment partners to provide a capital commitment upfront that is material in the context of the BEE deal. Benguela also expects that such partners have suitable performance conditions towards the company and suitable arrangements, including lock-ins and restrictions around competing ownership. Benguela does not expect a capital commitment for the broad-based elements of the transaction. It is therefore possible that some components of the transaction will provide an upfront commitment whereas other components will not.
- However, where a component is not broad based, and there is no cost to the company as a result of the transaction (i.e., where historically disadvantaged individuals have acquired shares in the market or from the company at full price, and there is no recourse at all to the company), then Benguela would not expect such further conditions outlined in the above paragraph.

## **3.8 CAPITAL STRUCTURE**

### **3.8.1 General principles**

Benguela supports providing all shareholders with equal voting and economic rights. We understand the need for companies to have some flexibility to adjust their capital structure. In general, the size of the proposed share issue/ repurchase must be fixed within recommended standards, the life of the authority must be fixed, and the terms must be in favour of existing shareholders (protect against dilution to existing shareholder and reduced liquidity). All changes relating to capital structure must be brought forward for voting at the annual general meeting.

### **3.8.2 Dividend policy**

Benguela will, in general, support the declaration and payment of dividends in line with normal market standards, subject to capital structure and liquidity requirements of the company. We will not support a dividend that impairs the financial integrity of the company. We will generally support a dividend where there is an option of a stock or cash dividend and where the options deliver the same value to shareholders, however the option must be provided with the rationale for such option and will be evaluated on a case-by-case basis. Benguela strongly supports the use of special dividends as a means of returning excess cash to shareholders, without compromising cash resources and capital structure.

### **3.8.3 Capitalisation issues**

Benguela believes that every capitalisation issue must be brought forward for shareholder approval prior to implementation. Benguela will then vote for capitalisation issues that do not exceed 5% of the company's shares in issue after considering the share capital structure before and after such an issue and whether the capitalisation issue is in favour of existing shareholders given the circumstances and possible alternatives that may be available (for example, the issuing of dividends).

### **3.8.4 Odd-lot offers**

Benguela will support proposals by a company to "mop up" smaller/ odd number shareholdings if it results in a lower administrative burden and expense, provided the company has the requisite authority, the offer is at least at market prices, the offer does not change control or significant influence of the company, and is not planned to maximise on a temporary share price pullback.

### **3.8.5 Share splits and consolidations**

Benguela will consider a company's proposal to split or consolidate its share capital, given the circumstances. The transaction should not impact the trading and liquidity of the share.

### 3.8.6 Reduction in capital

Benguela will consider a company's proposal to reduce its share capital given the circumstances, provided it has the requisite authority to do so and that subsequent to such a reduction all legislative and regulatory requirements are met by a company.

### 3.8.7 Share repurchases

Benguela is of the view that share repurchases can be an efficient and effective means of returning wealth to shareholders, but that each and every share repurchase must be put to shareholders for approval. Benguela will generally vote in favour of such proposals, provided that:

- a company has the requisite authority in its memorandum of incorporation to repurchase its shares;
- both before, during and after the share repurchase, a company remains both liquid and solvent, the exercise does not result in a material change to a company's share rating and a company has complied with all other legislative requirements relating to the share repurchase;
- the share repurchase is not used as a means to frustrate, enforce corporate actions or will not result in prejudice to different classes of shareholders;
- a reasonable percentage of the issued shares are subject to the repurchase proposal. We consider a limit of no more than 10% of the Company's issued share capital to be bought back in any single financial year to be reasonable;
- the share repurchase proposal is used to achieve goals that add value to a company and these goals are specifically stated and explained by a company in its proposal;
- all shareholders are given an equal chance to tender their shares, any mandatory repurchase must apply equally to all classes of shares to not dilute minority voting power; and
- the share repurchase proposal is in our clients' best interests.

### 3.8.8 Issuing shares for cash

Benguela believes that each and every share issue for cash must be brought forward for shareholder approval. JSE Listings Requirements place a restriction on issuing shares for cash up to a maximum of 15% of issued share capital. However, Benguela is of the view that a maximum restriction of 5% is more acceptable to its as it limits significant dilution to existing shareholder holdings, given the circumstances under which a proposal to issue shares for cash is made. In the event shares are offered at a discount, a small discount of  $\pm 5\%$  to the higher of 30-day VWAP or the previous closing share price is considered acceptable. Shares must be issued equally to share classes, with preference for pre-emptive rights.

### 3.8.9 Preferential voting rights/dual capitalisation

Benguela does not support the introduction of preferential voting rights / dual capitalisations with regard to a company's share capital.

### 3.8.10 Provision of financial assistance in terms of section 45 of the Companies Act

Benguela will review each resolution for financial assistance on a case-by-case basis. Benguela will support resolutions for financial assistance as defined under section 45 of the Companies Act of 2008 where such resolutions are worded in a manner that does not provide blanket powers to the directors, are limited in terms of scope of application, and if the form, nature and extent of such financial assistance are clearly defined.

Benguela will also not support financial assistance resolutions that include general authority to provide financial assistance to directors (including preferential loans and financing the participation in incentive schemes).

### 3.8.11 Restrictions on foreign ownership

Unless required by law, Benguela does not support restrictions on foreign ownership.

### 3.8.12 Corporate transactions

Any corporate transaction that is greater than two percent of the company's market capitalisation prior to the transaction's announcement must be brought forward to a separate shareholder meeting for shareholder approval despite existing share issuance authority. Benguela will review corporate transaction proposals on a case-by-case basis, but transactions must (1) offer fair value or enhance value to existing shareholders, (2) treat all existing shareholders equally and (3) balance the interests of continuing versus exiting shareholders.

### 3.8.13 Antitakeover mechanisms

Benguela does not support antitakeover mechanisms.

### 3.8.14 Unissued shares under the control of directors

- Where a company's unissued shares are placed by a shareholder resolution under the control of the directors of the company, it opens the possibility of the directors abusing their authority by issuing the company's shares in a partisan manner.
- Benguela will vote in favour of a resolution that enables the directors to control a portion of the unissued shares, or other voting instruments as defined in terms of relevant legislation, in the share capital of a company that corresponds to a maximum of 5% of the issued shares and/or other voting instruments in the share capital of the company, cumulatively in any financial year. Benguela considers a maximum threshold of 5% as acceptable to protect its clients' interests and to allow the company sufficient flexibility in executing its strategy with respect to the share capital of the company. Benguela, in making the above determination, does not distinguish between issued share capital exchanged for cash or for shares in another company as the dilutionary effect is equivalent.
- Should a company propose a resolution which places more than 5% of the unissued shares under the control or discretion of its directors but:
  - subjects those shares to existing shareholders' pre-emptive rights and to a maximum of 10%, or

- the company has provided a full and reasonable explanation for the necessity of such a resolution, Benguela may vote in favour of such a resolution.

- whether a company itself grants the proposed indemnity or whether a company is considering entering into an agreement with a third-party insurer to provide the proposed indemnity.

### 3.9 CHANGES TO MEMORANDUM OF INCORPORATION

#### 3.9.1 Introduction of new share classes

In general, Benguela supports a capital structure that provides all shareholders with equal voting rights. Benguela, in considering whether or not to vote in favour of a resolution of a company which proposes splitting a company's share capital into different classes (which classes carry different voting rights and/or dividend rights), will in each circumstance determine if such a split will be in its clients' best interests, and will consider the commercial reasons for proposing such a resolution.

#### 3.9.2 Changes in Board composition

- Benguela recognises that a company's proposal to amend its memorandum of incorporation to change the composition of its Board may be necessary for any number of commercial reasons and will consider whether such an amendment will be in its clients' best interests given the circumstances.
- Benguela will also consider the appropriateness of such an amendment in light of both South African and international codes of best practice and its internal corporate governance policy.
- Benguela will not support changes to MOI that explicitly state that only non-executive directors should retire by rotation.

#### 3.9.3 Directors' indemnification

Benguela will assess the wording of such resolutions that amend a company's memorandum of incorporation with particular reference to *inter alia* the following:

- whether the proposed indemnity or appropriate in the circumstances (which may in some instances be a regulatory requirement);
- the extent of possible liability of the persons covered by the proposed indemnity;
- the number of directors, officers or other persons covered by the proposed indemnity;
- the cost to the company of the proposed indemnity;
- the maximum amount by which each person is and by which all persons are covered by the proposed indemnity;

#### 3.9.4 Borrowing powers of directors

- Benguela accepts that a company may be required to finance its commercial operations via debt financing, and that its memorandum of incorporation may place a restriction on the borrowing powers of directors.
- In each case where a proposal is made to amend a company's memorandum of incorporation with regard to the borrowing powers of directors, Benguela will assess the circumstances under which such proposal is made and the current level of directors' borrowing powers to ensure that a company does not allow reckless borrowing that may place itself in illiquid or insolvent circumstances, to the detriment of shareholders.

### 3.10 POLITICAL DONATIONS

Benguela does not support the use of shareholder capital for political donations.

Where companies make donations or contributions of a political nature, they should be disclosed and each one fully explained in the annual report including information on the types of organisations supported and the business rationale for supporting these organisations.

### 3.11 ENVIRONMENTAL AND SOCIAL ISSUES

Benguela believes that companies that incorporate and manage ESG considerations are better positioned to create value over the long term. Transparency in disclosures allows investors to better evaluate the impacts and exposures of environmental and social factors on long term sustainability. Benguela supports the use of established sustainability related accounting and reporting standards and frameworks to facilitate consistency and comparability of reporting, such as the Task Force on Climate-related Financial Disclosures (TCFD) and the standards put forward by the Sustainability Accounting Standards Board (SASB).

In terms of climate risk and environmental sustainability, Benguela seeks transparent disclosure on the following, as examples:

- Company policies addressing environmental and social risks;
- Assessment of the impact of climate change on the company's business model and what adaptations/management and oversight are required to meet the needs of a net zero economy;

- Goals and timelines to reduce carbon emissions, improve water consumption intensity as well as the usage of other scarce resources;
- Action plans on how the above goals will be achieved;
- Materiality of risk factors and how materiality has and is expected to evolve over time;
- Where risks are material, details on the due diligence process, strategy, metrics, targets and initiatives used to manage the risks.
- Address areas of “double materiality” – external (environment impact) and internal (company performance) impacts of sustainability risks.
- The standards, methodology and assumptions used in the impact analyses.

### 3.12 SHAREHOLDER PROPOSALS

Benguela will assess shareholder proposals on a case-by-case basis, focusing on their impact on long term value creation and whether the proposals are in the best interests of clients. Benguela may support shareholder proposals that:

- Address the same and/ or similar concerns raised by Benguela where management has not provided an adequate opportunity for engagement or a response to raised concerns;
- Are likely to have a material negative economic impact on the company if not addressed;
- Highlight a clear gap in the company’s transparency and disclosures;
- Highlight a discrepancy between the company’s adherence relative to the industry or best practice;
- Meet the above criteria and the proposal is not unduly constraining on management and company resources and allows for reasonable implementation timeframe;
- Meet the above criteria and the company has not adequately addressed the intent of the shareholder proposal.