

Allan Gray (Botswana) (Pty) Ltd ("Allan Gray") manages investment portfolios for its clients. The full economic benefit of the assets in all these portfolios belongs to our clients, not to us. Our clients pay us a fee for our services. In accordance with Rule 6 (1) of the Non-Bank Financial Institutions Regulatory Authority (Market Intermediaries Conduct of Business) Rules, 2012 ("Conduct of Business Rules"), Allan Gray has a duty of care to its clients and shall act fairly and with due diligence in the best interests of its clients when providing services to its clients in accordance with the agreements in place with such clients (i.e., Portfolio Management Agreements ("PMA")). We have seen it fit to adopt some terminology and information from the Second Code for Responsible Investing in South Africa (CRISA 2) in order to fulfill our mandate to our clients. For purposes of this document, Allan Gray is regarded as a service provider.

We believe that we can help investors exercise their ownership responsibilities in a diligent manner. This assistance is an important component of the overall service we provide to our clients. This assistance is not motivated by a "tick-box" mentality. We believe that by providing this service, we can enhance our clients' long-term investment returns.

There are two primary ways in which we seek to assist our clients in exercising their ownership responsibilities:

1. Engaging with company directors on their behalf; and
2. Recommending how they should vote their shares at shareholder meetings.

Engagement

Given the different nature of equity and fixed income instruments, our engagement approach differs between these asset classes. We discuss each below.

1. Equities

Our aim in engaging with a company's directors is to further the best interests of our clients by encouraging the directors to act in a way that enhances or preserves shareholder value. We always aim to engage constructively with company directors, as we believe that constructive engagement is more likely to succeed than hostile engagement.

Company executives regularly ask to meet with us. These meetings typically follow the announcement of the company's financial results. We use these meetings primarily to improve our understanding of the business of the company.

We believe that the responsibility for the day-to-day operations of the company rests with the executives, and that we probably have limited value to add in this regard. From time to time, we may believe that we can contribute to a company's deliberations over its broad strategy, particularly with regard to capital allocation. When offering our views, we try to do so with humility.

The chairperson or non-executive directors of a company may request meetings with us from time to time. These meetings are usually arranged by the non-executive directors to elicit feedback from shareholders on matters such as the company's broad strategy, executive remuneration and the performance of executives. When offered these opportunities, we aim to speak candidly and make our views clear.

Unless it would be contrary to the best interests of our clients to do so, we aim to inform a company's representatives prior to a shareholders' meeting if our clients, in aggregate, hold a material shareholding in the company, and we intend to recommend voting against any of the resolutions. Often, this creates an opportunity to explain to the company's directors why we believe a resolution is not in the shareholders' best interests.

Aided by our investment analysts, our portfolio managers are responsible for identifying strategic, sustainability and governance concerns with companies held in the portfolios under their management. This is consistent with our objective to hold our portfolio managers individually accountable for the performance of the portfolios under their management. Portfolio managers will rely on many sources, including the press, to identify such concerns. When evaluating concerns, the portfolio manager will consider the King Code and other widely accepted guidelines considered relevant at the time, as well as both current and proposed laws and regulations. Guidelines, which allow for deviations if explained, will not override our own common sense and judgement as to what is in our clients' best interests in any given circumstance.

If we identify such concerns, and we do not expect to have an opportunity to communicate these concerns to the company within a reasonable period, we may contact either the company's executive or non-executive directors to communicate our concerns. We may communicate verbally and/or in writing if we wish for our concerns to be placed on the record.

On rare occasions, our efforts at constructive engagement and persuasion fail. If so, and we continue to harbour material concerns about the strategy, sustainability or governance of a company, we may begin to engage with the company's directors in a more resolute manner, including:

- Recommending that our clients vote against certain resolutions at shareholder meetings (including those involving the election of directors);
- Attending a shareholder meeting on our clients' behalf and voicing our concerns;
- Requesting the company's directors to add a new independent director to the board (who may or may not be nominated by us);
- Calling for a general meeting of the shareholders of the company (provided that we are able to do so);
- Reporting our concerns to the relevant authorities, if appropriate; and/or
- Instituting legal action to enforce shareholder rights.

Before deciding to embark on any one or more of the strongly positioned actions listed above, we consider whether:

- Our clients have a reasonable prospect for success;
- The proposed action may impede our ability to effectively manage our clients' investment in the company concerned;
- The time and effort required to pursue the strategic action is commensurate with the potential benefit for our clients if we succeed; and
- The nature of the planned action is appropriate in the circumstances.

We will not act in the above manner merely to assert ourselves or to generate publicity. If our concerns regarding a company's strategy, sustainability or governance cause us to lower our estimate of the company's intrinsic value, we may sell the company's shares.

From time to time, companies may request to share information, which they regard as material and price sensitive, because it is not yet in the public domain. Provided that this information will either be made public or lose its relevance within a period of a few weeks, we believe that it may be in our clients' best interests, depending on the specific circumstances at the time, to agree to become party to this information. If we do so, we follow the procedures that ensure compliance with applicable legislation, including placing an immediate ban on trading in the relevant share(s) and ensuring immediate isolation of the information. In deciding on whether to become party to this information, we weigh up the benefit of engaging with the company, and potentially influencing a significant event in the life of the company, against the opportunity cost of not being able to trade in the share for the duration of the trade ban.

We expect all company executives and representatives to be aware that we never wish to be made party to material, price-sensitive information without them formally inviting us to become party to such information and offering us the opportunity to either accept or decline their invitation. On rare occasions, a company representative may inadvertently say something to us, which could be regarded as material, price-sensitive information. In such circumstances, there is nothing we can do to prevent the receipt of such information once it has already been received, and we will follow applicable procedures to ensure that we comply with all relevant legislation.

2. Fixed income

Bondholders do not benefit from the same powers of ownership conferred on shareholders; for example, we cannot vote to remove directors, so our approach differs from that of our equity holdings.

We typically engage with debt issuers' management during debt investor roadshows, which most frequently occur after financial results are published or before an issuer intends to come to market with a new issue.

We try to play a constructive role by engaging with government on key matters through various channels; for example, through the Botswana Investment Professionals Society or by direct engagement with policymakers on matters such as the fiscus and environmental, social and governance (ESG) topics.

In the case of corporates and parastatals, where we may be a more significant lender, we may request meetings with key management or write to the board when specific issues arise. Most of the corporates in our fixed interest investment universe are also listed on stock exchanges, allowing us to draw on the equity process, because bondholders and shareholders broadly share the same ESG concerns.

Voting at shareholder meetings

We recommend to clients how we believe they should vote their shares at shareholder meetings of all companies in which:

- The value of our clients' aggregated holding exceeds 1% of the total value of Botswana equities under our management at the time;
- Our clients' aggregate holding exceeds 4% of that company's shares in issue at the time; or
- We believe it to be in our clients' interests to recommend a particular voting course, regardless of the level of shares held.

The analyst in our Investment team who is responsible for researching the company considers the proposed resolutions and recommends votes to the portfolio manager primarily responsible for the share. The portfolio manager is responsible for reviewing the proposed resolutions and writing letters to our clients containing our voting recommendations.

We prefer to impose this responsibility on a portfolio manager, as opposed to delegating it to a compliance department, as the portfolio manager will have thorough knowledge of the company concerned, and the portfolio manager is aligned with our clients in seeking the maximum long-term value. Furthermore, we believe that this reinforces the individual accountability of our portfolio managers for the performance of the assets under their management.

Just as there is scope for differing assessments of a company's intrinsic value, there is scope for differing of opinions over the merits of resolutions that are proposed to shareholders. That is why companies seek a vote from all shareholders but only require the approval of a majority (or 75% in some cases) of shareholders for a resolution to be passed. We are aware that we may hold a minority view from time to time. While we may try to persuade the company's directors of our view, we expect them to act in accordance with the wishes of the majority of the company's shareholders.

Nevertheless, we believe that it is important for minority views to be expressed at shareholder meetings. We do not reserve our recommendations to vote against resolutions only for occasions when we sense that shareholder opinion overwhelmingly agrees with or conforms to our view. We recommend votes that we believe to be in the best interests of our clients holding the share, regardless of whether our view falls into the majority or minority. Sometimes we have to make a judgement on the appropriate voting recommendation based on our subjective assessment of the balance of probabilities at the time. We recognise that we may make errors of judgement from time to time, but we will always make voting recommendations which we believe advance the best interests of our clients holding the share.

Companies may, prior to a shareholder meeting, request us to undertake that we will recommend to our clients that they vote their shares in a certain manner. We will only do so if we believe the relevant resolutions to be in the best interests of our clients. Of course, we cannot bind our clients to vote in a certain way, and in this case, as in all others, our clients are free to disagree with our voting recommendations and vote in the manner they see fit.

The portfolios under our management are segregated portfolios with appointed client trustees and/or other management. In exercising their ownership responsibilities, our clients' appointed trustees and/or other management will consider our voting recommendations, but they always hold and control the voting rights. At times, our clients' appointed trustees and/or other management disagree with our voting recommendations. In such cases, the relevant trustees and/or other management instruct us or their custodians as to how they wish their shares to be voted.

Companies' annual general meetings (AGMs) typically require shareholders to vote on the usual "housekeeping" resolutions as well as three matters of substance:

1. Appointment or re-election of directors
2. Remuneration policy and implementation report
3. Permission for the issuing or repurchasing of shares

We consider these matters on a company-by-company basis, taking into account the special circumstances which may be affecting a company at the time. In forming our view on the appropriate voting recommendation, we typically consider the factors discussed below.

1. Appointment or re-election of directors

If we have concerns that the election of an individual director may not be in the best interests of all shareholders, we may recommend abstaining from voting on that director's election or voting against the election of that director. We are not privy to what happens in company boardrooms, which makes it very difficult for us to determine whether an individual director is making a positive, negligible or negative contribution. Thus, we do not require conclusive evidence to recommend voting against a director. If we believe on a balance of probabilities that shareholders could be better served by another director, then we may recommend voting against the re-election of the incumbent director. In forming these assessments, we may consider the director's ascertainable performance, including material actions we know them to have taken at other companies, and the overall performance and composition of the board of the company in question. If the overall performance of a company's board is disappointing, or we believe that there are too many directors on a company's board, we may recommend voting against one or several directors.

We keep a record of directors we have previously advised voting against for acting against shareholders' interests and/or other relevant reasons to inform our current decisions. We also screen for politically exposed individuals who may be directors of companies that our clients are invested in.

2. Remuneration policy and implementation report

We believe that a company's remuneration policy should aim to attract and retain competent executives, reward these executives fairly in a way that is consistent with their performance and align the incentives for these executives with the best interests of the company and its shareholders. This is easy to say but can be difficult to implement in practice. The perfect remuneration policy probably does not exist. We remain mindful of this when considering our voting recommendations on remuneration policies. We also remain mindful that the value that key executives can add to (or subtract from) a company can dwarf their remuneration and that companies compete to employ competent executives.

We aim to play a constructive role by frequently engaging with company boards, particularly remuneration committee (Remco) members, to encourage the adoption of executive incentive schemes that are aligned with the best interests of our clients.

When evaluating a company's executive remuneration scheme, we typically evaluate:

1. Whether the structure achieves adequate alignment between the interests of shareholders and executives;
2. The strength of the pay-performance correlation;
3. If there is sufficient disclosure to enable shareholders to make informed decisions; and
4. If the quantum of pay is reasonable. We evaluate each scheme on a case-by-case basis and consider the special circumstances which may be affecting a company at the time.

i. Structure and alignment

Typical executive pay structures include a guaranteed portion, a short-term incentive (STI) and a long-term incentive (LTI). The total guaranteed pay (TGP) refers to the base salary, pension benefits and any other benefits and allowances that an executive is entitled to as part of his/her contractual cost to company. This portion of pay is usually paid in cash and is not subject to performance conditions, meaning irrespective of how the executive or the company performs, the executive is entitled to this TGP. The STI (also known as a bonus) refers to the portion of pay that is dependent on the executive achieving performance targets that are evaluated over a short period of time, typically a year. This element of pay is also generally paid in cash, although some companies have started settling a portion of STIs in equity. Lastly, the LTI typically refers to the portion of pay that is dependent on the executive achieving performance targets that are evaluated over the long term, typically three to five years. There are some exceptions to this, such as retention shares. LTIs are generally settled in equity or somehow linked to share price performance of the company in question.

We prefer for there to be a greater weighting attached to LTIs as a percentage of the total reward opportunity. In our view, this creates improved

alignment with shareholders who are invested for the long term. Furthermore, performance-based pay should be subject to sufficiently stretching performance targets to ensure that executives only get paid this portion when they have created shareholder value.

We believe it is important for executives to own shares in the company they manage, as this incentivises them to think like owners. We encourage companies to implement formal minimum shareholding requirements (MSRs) to ensure that executives build and maintain a meaningful shareholding. In our experience, it is crucial that the MSRs have an enforcement mechanism where executives are restricted from cashing out a portion of their performance-based pay until the required shareholding level is achieved.

We also support the incorporation of malus and clawback provisions into executive remuneration policies. They have become a universally accepted corporate governance practice aimed at curtailing excessive risk-taking, discouraging short-termism and enhancing executive accountability.

ii. Quantum

A comparative benchmark analysis is a good starting point for evaluating the quantum of executive pay. In our view, an executive's base salary and performance-based pay, respectively, should not materially exceed the median base salary and performance-based pay offered for comparable roles in comparable companies. While this serves as a useful sense check, it might not be suitable for all scenarios.

It is also important to remain cognisant of the risk of an escalation in executive pay levels, as companies continuously upgrade pay packages to match those of their peers. Some companies operate in industries that have unsustainably high levels of executive pay, which could render a comparative benchmark analysis ineffective in determining what is 'reasonable'. It is therefore equally important to assess quantum of pay in absolute terms and, where relevant, use other reasonability assessments such as executive pay versus median employee pay at the company in question. Potential performance-based pay should also be capped unless the executive is willing to bear unlimited downside risk to match unlimited upside potential.

iii. Pay-performance correlation

There should be a clear link between performance-based pay and the performance outcomes of an executive, which are usually measured by a range of financial and non-financial factors. Ideally, this performance-based pay should not be affected by exogenous factors outside the executive's control, such as a cyclical upswing in an industry. Such factors should be provided for as far as possible, for example by comparing the total shareholder return of the company to that of other comparable companies that are affected by similar exogenous factors. Similarly, an executive who performs much better than their or his/her peers in a struggling industry should be rewarded for their or his/her performance.

Median or average performance should earn minimal performance-based pay. In other words, base pay should not be disguised as performance-based pay. If all executives in an industry are simultaneously being rewarded for performance above the mean, whose performance was below average?

While we support the inclusion of non-financial performance measures such as ESG-related metrics, when relevant and material, we prefer the mix of performance factors to be geared more towards financial rather than non-financial measures. Shareholders often have little insight into whether performance is measured robustly on non-financial measures, and we have seen these abused at several companies, where soft factors are used to give executives large payouts despite poor financial performance. Furthermore, the long-term financial performance of a company is typically linked to its sustainability and the strategic decisions of executives. Thus, using financial measures provides shareholders with some level of comfort that executive pay outcomes will be aligned with shareholder experience.

We recognise that there will probably always be some element of chance in performance-based remuneration. Remcos should attempt to control for this as far as possible (refer to "Use of Remco discretion" below).

iv. Disclosure

There should be sufficient disclosure for shareholders to evaluate structure and alignment, reasonable quantum and whether a strong pay-performance correlation exists. We believe that disclosure should allow shareholders to follow performance-based remuneration from the remuneration policy through to the outcomes in the implementation report. We encourage Remcos to disclose targets used to assess the performance of executives as well the methodology applied in determining the value of performance-based awards made to each of the company's executives.

For STIs, we encourage ex-post disclosure of the factors that are considered in determining quantum, the weighting assigned to each factor and an assessment of how executives performed versus the target on each of these factors. Disclosure should also indicate how this translates into the quantum of STIs that are awarded.

We encourage the same level of disclosure for LTIs, except that the disclosure of LTI performance targets should be made upfront instead of ex-post. Only making disclosure after the fact means that shareholders will have a three- to five-year lag (depending on how long the performance measurement period is) in assessing whether the targets are sufficiently stretching. Disclosures should be made both for LTIs that vest during the year under review and for those awarded during the year under review.

A lack of disclosure can lead to a strong remuneration scheme not receiving the desired support due to the inability of shareholders to adequately evaluate it. We strongly encourage Remcos to prepare the remuneration policy and implementation report with as much transparency as possible.

v. Use of Remco discretion

In principle, we are not opposed to the application of Remco discretion. However, discretion can be misused to reward executives inappropriately in periods of underperformance – a practice we think undermines the concept of ‘pay-for-performance’.

That said, we realise that a completely formulaic approach to determining pay outcomes might not be the right solution for all scenarios. In cases where formulaic outcomes do not adequately reflect executive performance and/or shareholder experience, we encourage Remco to apply their judgement to determine fair remuneration outcomes. Where discretion is applied either to allow for vesting of awards where performance targets are not met, or to adjust the value of vested awards, Remco should provide a clear indication and adequate justification of how they arrived at the adjusted outcomes via annual reports so that shareholders can determine whether the discretion has been duly exercised. We consider whether symmetry exists in the application of Remco discretion. Is discretion only applied to increase rewards when metrics do not reflect good performance; or equally to decrease them when metrics overstate performance?

We believe that we can play a constructive role in the continued improvement of companies’ remuneration schemes, either through engagement or by recommending that our clients vote against policies and/or implementation reports which have fallen materially behind the best interests of the company. An adverse voting recommendation typically leads to discussions with the Remco on how we believe the current scheme could be improved. It is important to note that recommending a vote against a company’s remuneration policy or implementation report does not necessarily suggest that we lack confidence in the company’s executive directors.

Where there have been egregious remuneration outcomes despite our efforts at engagement or the recommendation of dissenting votes, we may consider voting against the reappointment of members of the Remco in question.

3. Permission to issue or repurchase shares

The value of the shares held by our clients is derived from their scarcity. We typically recommend voting against resolutions that grant the company’s directors general authority to issue new shares (even if only in limited quantities), because such a general authority could diminish the scarcity value of the shares held by our clients. Even if the resolution is restricted to the issuing of new shares required for employee incentive schemes, we prefer to recommend voting against resolutions of this type. Unless there are regulatory or tax considerations that complicate matters, we prefer companies to repurchase the shares which are required to fulfil their obligations under employee incentive schemes. This generally makes the cost of such schemes more explicit.

If the directors wish to issue new shares for the purpose of an acquisition or some other form of corporate transaction, we prefer to consider their proposal on its merits and, if we agree, recommend that our clients vote in favour of a resolution which grants them a specific authority to issue the shares required just prior to the finalisation of the transaction. We believe that this approach reduces the risk of the value of our clients’ shares being diluted by the ill-advised issuing of new shares by the company’s directors.

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Review

This approach will be reviewed on an annual basis and approved by Allan Gray Botswana’s portfolio manager.

Version	Approved by	Summary of changes	Effective date
1.0	Tapologo Motshubi	Adopted from the Allan Gray Group policy and adapted for Botswana	February 2025