

## **Proxy Voting Policy**

### **Description**

Aeon Investment Management follows the King 3 Code, Five Principles outlined in the CRISA and the Six Principles outlined in the UNPRI when making decisions on votes on behalf of our clients. We prioritise collaborative engagements according to our exposure, the shares we hold and the shares we consider to hold. Any conflicting resolution is usually voted against if no sufficient justification is provided.

Below is a policy and guide of how Aeon Investment Management votes on and gives one an idea of our policies in this regard.

Aeon Investment Management considers its internally developed Social Responsible Investing Framework in its proxy voting policies. Inevitably most resolutions do not cover the SRI framework, and in this instance, we interact and lobby company management directly on SRI and ESG relevant issues.

At present, we do not vote for shares held in the Aeon Enhanced Equity Fund (fund size R14m) as the shares are selected on a quants methodology basis with some ESG disclosure factors in the fundamental factor model.

### **Adoption of Annual Financial Statements**

Aeon Investment Management normally votes in favour of the adoption of the financial statements. This resolution would be voted against if we feel certain material information has been omitted from the annual report. This is seldom the case as by its nature it is difficult to establish this non-disclosure.

### **Directors**

The King 3 Code recommends the board of directors comprise of a majority of independent non-executive directors. Aeon Investment Management therefore sets an independence threshold of roughly 60% when deciding on the re-election of directors. Should this threshold be breached, steps are taken to vote against any non-independent director up for re-election.

Directors perceived to be non-independent by Aeon Investment Management but classed as independent on the annual reports are voted against when up for re-election onto the board and/or committees. The criteria used in our independence assessment are tenure, financial interest in the company and relationships with other companies that may influence decisions. The King 3 Code recommends an independent director with a material financial interest in the company and/or tenure on the board greater than 9 years should undergo an independence assessment which should be presented in the company annual report. This requirement is strictly enforced in Aeon Investment Managements' voting policy.

Aeon Investment Management focuses on assessing if the board is effective or not. This may not be easy to do as we do not have access to board meetings and minutes. It is therefore essential the board members have at least annual written peer reviews and assessments of each board member. External independent assessments are also encouraged of all board members, including a thorough evaluation process in nominating and appointing new directors. Key findings should be published in the annual report.

### Election and Re-election of Directors

Aeon Investment Management encourages single resolutions for each director's re-election and/or remuneration. We strongly discourage block resolutions for multiple re-elections or remuneration increases, as any conflict will result in us voting against the entire block of directors.

Attendance at board meetings and subcommittee meetings are a key consideration in our re-election decision. Unless there are valid reasons for not being able to attend, we will vote against the director's re-election if less than 75% of meetings are attended. If a director has been on the board in excess of 9 years and the director is put up for re-election, we recommend an evaluation be conducted to find out if the director displays objectivity and sound professional judgement.

Aeon Investment Management also considers the number of external boards each director is on. If a director is on more than 4 other boards, we will investigate his attendance at each of the company's board meetings. If the director has a poor attendance record for either company Aeon Investment Management will vote

against the director's re-election as the directors' commitment to other companies may impair their decision-making ability.

### Remuneration

Proposed fee increases and absolute amounts are evaluated alongside the company's relative performance over the past year as well as the fees relative to their main competitors. Should the fee increase or absolute amounts seem excessive compared to their performance and/or competitors', Aeon Investment Management will vote against the resolution.

Share incentive packages, including total remuneration, should be fair to all company stakeholders. The package should contain explicit targets to ensure bonuses awarded are transparent to all stakeholders. Aeon Investment Management favours long term incentive packages to ensure interested parties objectives are in line with the long-term sustainability of the company. If we find the package does not include a targeted criteria and/or explicit benchmark or is excessive, Aeon Investment Management will vote against the resolution. Common targets are EPS growth, ROCE, Economic profit growth, outperforming specified competitors, etc.

Once-off payments to parties are viewed in isolation. The justifications for the payment as well as the amounts are considered when making a decision. Aeon Investment Management does not consider payments to outgoing parties a justifiable explanation as fees/bonuses would have compensated the individual during their tenure.

### Short-term incentives

Aeon Investment Management will usually vote against the short-term incentives policy if there is no disclosure of executive clawbacks, if there are a few key shortcomings which lead us to oppose the remuneration policy namely the misalignment between strategy and outcome and the lack of disclosure around benchmarking of STIs. We would recommend management placing a higher weighting on factors under management control. This includes factors such as volume growth, cash fixed cost growth and safety.

### Approval of non-executive directors' fees

Aeon Investment Management will usually vote against the approval of non-executive directors' fees if the international director's fees is more than two times higher than local peers, if the fee increase is above inflationary expectations and/or if no justification has been provided for excessive fee increases. We would vote against the approval of non-executive directors' fees if the chairman's remuneration is more than two times than that of other directors on the board. This would be excessive in our view. We recommend the fee structure for non-executive directors to be split between a base fee and an attendance fee (in line with King III). Splitting between a base fee and an attendance fee, strikes a balance between accounting for ongoing work and interaction by board members and encouraging attendance.

### Control over issued/unissued shares

Aeon Investment Management will usually vote against placing unissued shares into the directors' control when no specific reason(s) or limit has been provided by management for raising additional funds. We recommend a limit of 10%. This is to avoid dilution of existing, minority shareholders or shares being used in a proxy battle that may not be in the interest of all shareholders.

### General authority to acquire (repurchase) shares

Aeon Investment Management will usually vote in favour of allowing directors to buy-back shares limited to a maximum of 10% of issued ordinary share capital if there is a large free float and/or no significant shareholders whom may benefit unfairly from the transactions at the expense of other shareholders. This is less than the ceiling of 20% of issued share capital for repurchases as required by the JSE listing Requirements. Generally, we see share buybacks as a relatively tax efficient mechanism to return capital to shareholders.

### Creation and issue of convertible debentures

Aeon Investment Management will usually vote against the allotment of new debentures if there is no details or accountability. We appreciate that a size limitation of 10% is in place for the right to allot new debentures. Further, we would vote against the issue of debentures if the debentures being issued is provided with no clarity around the criteria attached to their convertibility or the

seniority of their claim of the company's residual assets or earnings. There would be too much uncertainty.

#### Payment of dividend by way of pro rata reduction of share premium

Aeon Investment Management will usually vote in favour of the payments of dividends as a means to return capital to shareholders in the event that it cannot be productively utilised. But we will have to foresee if there are any particular solvency or liquidity risks that would alter our view.

#### Amendment of Share Incentive Scheme

Resolutions to amend a company's Share Incentive Scheme will be voted against if it hampers shareholder interests. However, it will be voted in favour if shareholders interest and management will be awarded fairly and there is a strong alignment of interest with shareholders.

#### Auditor Re-Election

Resolutions to re-elect auditors from reputable audit firms will usually be voted in favour of by Aeon Investment Management. If the proposed audit company is not considered reputable and if they have been auditing the same company for over 5 years using the same partner, we would vote against the resolution if there are no valid reasons provided for using the firm.

#### Authorise directors to fix remuneration of external auditors

Aeon Investment Management will usually vote against authorising directors to fix the remuneration of external auditors if the audit fees and non-audit fees are not disclosed. Without the disclosures, we cannot make a thorough review on how management have been remunerating the external auditors.

#### Directors' authority to implement special and ordinary resolutions

Aeon Investment Management will usually vote in favour as this is an administrative step.

#### Financial Assistance

Aeon Investment Management will usually vote in favour for aiding a company's subsidiary companies. It may be necessary for the company to provide intra-group

funding in order to conduct the Group's business or desirous for the company to provide financial assistance to related or inter-related companies and corporations to acquire or subscribe for options or securities or purchase securities of the company or another company related or inter-related to it. We will appreciate it if management provides sufficient detail as to why the relevant parties require the financial assistance, who they are, what the terms of the financial assistance is and whether there are any conditions attached thereto.

#### Disclosure of CEO Succession Plan

Aeon Investment Management encourages the disclosure of the CEO succession plan, especially in the case of a company with a long-tenured CEO. This will enable the assessment in the appointment of new executive directors.

#### Authority to Make Donations

Aeon Investment Management discourages the authority of a company to make donations to political organisations and to incur political party expenditure and influence.

#### Notice period for General Meetings

Aeon Investment Management encourages that the general meeting other than an annual general meeting, may be cancelled on not less than 14 clear days' notice.

#### Others Resolutions

The King 3 code, the CRISA, the UNPRI and client mandate restrictions are collectively used to guide our decision making on resolutions not mentioned above. Aeon Investment Management also evaluates the resolution's impact, both positive and negative, on the company and society when deciding on our stance. Should further information be required an effort is made to contact management for clarity.

In the case of internationally listed companies, we will also apply international codes of corporate governance, such as the UK Combined Code on Corporate Governance.

### Client and/ or Beneficiaries Conflict

Aeon Investment Management does encourage its clients to play a role in the proxy voting. If a situation arises where we decide to vote in favour of a resolution but a client wants us to vote against, then we would collaborate with the client and hear each other's views. In the end if the client still decides to vote against a resolution, we will vote against the resolution. After all it is the clients' right to do so.

### Proxy Vote Submission

Once Aeon Investment Management has completed the all resolutions on the proxy form, we will send the voting instructions through to Corporate Actions at Prescient Fund Services (Prescient Fund Services (PFS) is a wholly-owned subsidiary of [Prescient Limited](#) that offers specialist outsourced administration), who will instruct the custodian and CSDP agent to vote on our behalf.

### Voting Transparency

Aeon Investment Management discloses their Proxy Voting Policy, Proxy Voting Records and Proxy Voting Summary on their Aeon Investment Management website ([www.aeonim.co.za](http://www.aeonim.co.za)) which is updated every quarter. We also report our proxy voting record to clients on a quarterly basis and why we voted against a resolution.

**Asief Mohamed**