

Futuregrowth's corporate governance & proxy voting policy

1. Corporate governance

Futuregrowth believes that by developing good corporate governance and responsible businesses practices that are sustainable companies can potentially add significant shareowner value. The well-governed, socially responsible company meets high standards of corporate governance and ethics, and operates in the best interests of shareowners and stakeholders (employees, communities, customers and the environment).

We are dedicated to the highest standards of corporate governance and we are therefore committed to good corporate citizenship and organisational integrity in directing, controlling and the stewardship of our affairs.

This commitment to an open governance process provides stakeholders with the comfort that Futuregrowth clients' affairs are being managed in an ethical and disciplined manner, considering prudently determined risk parameters, thereby over time optimising the return to clients' and shareowners' wealth, while ensuring sustainable success and protecting client interests. This philosophy is based on transparency, accountability and responsibility.

Furthermore, in recognition of the need to conduct the affairs of Futuregrowth according to the highest standards of corporate governance, in the interests of both enhancing organisational performance and investor protection, the directors of Futuregrowth endorse the Code of Corporate Practices and Conduct recommended in the King III Report. In order to ensure that we conduct our affairs according to the highest standards of corporate governance and to ensure that we protect the interests of our investors, our approach to proxy voting, draws on the appropriate elements in the King III Report and incorporates the governance provisions of the Companies Act of 2008.

Futuregrowth is approved by the Financial Services Board as a discretionary financial services provider in terms of the Financial Advisory and Intermediary Services Act of 2002 and is required by regulation to comply with a number of "conditions" that are intended to safeguard our clients investments. Included in these requirements is the need for an annual audit report by the external auditors, reporting specifically on the adequacies of the control environment. The Compliance Officer is also required to submit two FAIS Compliance Officers reports to the FSB on an annual basis, providing a detailed review of the compliance and risk status of the business.

Futuregrowth's corporate governance and control environment is overseen by its Compliance and Risk Officer, by Old Mutual SA's Audit and Risk Committee and KPMG, our external auditors.

The Futuregrowth Credit Committee concentrates on the management of credit risk in client funds by approving new transactions and monitoring exposures. The Futuregrowth Investment Committee approves and monitors equity investments. The Valuation Committee reviews and approves Futuregrowth's valuation policies and methods.

Futuregrowth has its own Code of Conduct, which covers business principles, ethics, conflicts of interests, personal account dealing rules amongst others. This Code has been modeled on the FCA (UK) and CFA Institute (USA) standards, which are acknowledged to be the best in global practice.



Futuregrowth is also a signatory to the CFA Institute's Asset Manager Code of Conduct.

Futuregrowth complies with the Global Investment Performance Standards (GIPS). GIPS is an ethical standard and is regarded internationally as being a "gold standard" of performance reporting verified by a third party.

2. Proxy voting policy

The King III report on corporate governance strongly recommends that shareholders become actively involved in the way companies are governed. In addition, there is an increasing trend worldwide towards more shareholder activism. Share ownership rights, which include voting rights in person or by proxy, are financial assets. They must be managed with the same care and diligence as any other investment asset, because the integrity and value of shares may be affected by the outcomes of voting proposals. Shareholders have the power through voting rights to influence the management of a company. Actively exercising these rights through active ownership activities is an effective way of enhancing portfolio value.

Consequently, Futuregrowth views seriously its responsibility to exercise voting authority over securities, which form part of its clients' portfolios.

Proxy statements

Proxy voting statements contain material issues involving shareholder rights and corporate governance, which deserve careful review and consideration. A number of recurring issues can be identified with respect to the governance of a company and actions proposed by that company's Board. This has enabled Futuregrowth to adopt internal Proxy Voting Guidelines to vote on these issues in a consistent manner within the parameters of good corporate governance and corporate sustainability.

The attributes that our proxy voting guidelines aim to promote are:

- Long-term value creation - aligning the interests of management with those of shareholders and stakeholders.
- Accountability - of management to investors, stakeholders and the regulators.
- Sustainability - companies that have good corporate governance are those whose operations are financially, socially and environmentally sustainable.

Futuregrowth needs to examine each resolution offered and the context in which it applies. We therefore do not automatically vote in favour of proposed resolutions, but first consider our clients investment needs and social objectives. For that reason, there may be rare instances in which clients' shares may not be voted in strict adherence to these guidelines. We will also not vote in strict accordance with these guidelines if we receive specific instructions to the contrary from our clients.

In cases where Futuregrowth, via its clients, manages more than 5% of the equity market capitalisation of a company, and the issues to be discussed at the Annual General Meeting are of a material nature, we may consider physically attending and voting at the meeting instead of voting via proxy.

On occasions, new issues may arise which are not covered by these guidelines. In such cases we will evaluate these proposals against the spirit of good corporate governance as outlined in King III, the Companies Act of 2008 and best international practice, after which we would update this document.

Lenders votes

Lenders votes may contain opportunities to protect lenders' positions or exercise their rights. As a lender, Futuregrowth will examine each relevant voting opportunity in the context of protecting and



enhancing its investors' rights, while remaining cognisant of the circumstances and causes of any necessary vote, as well as the needs and circumstances of the investee company.

Engagement

Engagement refers to all interactions and discussions with investee companies to promote responsible investment practices, e.g. to consider all ESG factors that could potentially pose a risk, encourage companies to mitigate risks and to report to their stakeholders on these issues with the view of promoting sustainable best practice within businesses.

We engage with our stakeholders, partners and investee companies on matters of responsible business practices e.g. environmental, social and governance (ESG) issues that affect the company's bottom line. This is appropriate and aligned with our objective of ensuring long-term sustainability for our clients and society. We believe in collaboration with investee companies by engaging with management to encourage companies to think about their approach to ESG issues, with the purpose of improving overall sustainability of companies.

Proxy voting guidelines

3. Board of Directors

The Board of directors is responsible for the overall governance of the company. The Board represents shareholders and should place shareholder interest above all others. The Board will delegate certain of its functions to a management team to ensure the companies long term success. It must be noted that the Board retains the overall responsibility over management and have a duty to monitor management performance. The Board's key functions are to determine the company's strategy, implement its values; ensure that practices and procedures are in place to protect its assets and reputation; evaluate strategy and policy implementation; monitor performance and business plans and lastly identify key risk areas and ensure the effective management of these.

3.1 Independence of the Board of Directors

Companies should be headed by an effective Board that can both lead and control the company. One of the most fundamental sources of good governance is independence. Accordingly, the Board should comprise a balance of executive and non-executive directors, preferably with a majority of non-executive directors, of whom a sufficient number should be independent of management so that shareowner interests (including minority interests) can be protected.

An independent director, in our view, essentially is a director with no significant ties to the company, such as a major client, customer, supplier or shareholder or has not worked recently for the company. The cooling-off period for former executives of the company, its affiliates, predecessor or acquired entities, general or limited partner of a joint venture or partnership, or relative of such former executive is normally three years.

Voting policy

We will generally support shareholder proposals that request the Board to be comprised of a majority of independent directors. We support resolutions that call for an independent "lead" director to act as a formal leader for independent directors.

3.2 Independence of the Chairperson

It is good corporate governance practice that a director who is both independent and non-executive holds the position of Chairperson. It is highly preferable that the same person does not act as Board chair and CEO to support the concept that the Board will represent the interests of the shareholders, not



management. An independent Chairperson is one of the primary mechanisms, which maintains Board independence. Furthermore, this will ensure that no one person has all the authority to make decisions unilaterally. King II recommends that a chairperson should preferably be an independent non-executive director.

Voting policy

We will generally vote for proposals splitting the position of Chairperson and Chief Executive Officer. We will however normally vote against the appointment of non-independent Chairperson. In cases of smaller companies where the executive office is small, we may acknowledge the need for one person to fill both roles, but this should be the exception rather than the rule.

3.3 Board size

The number of directors on a Board is important for Board effectiveness. The Board should be large enough adequately perform its responsibilities without being too large that it becomes cumbersome. Boards should consist of between 5 and 15 directors, depending on the type and size of the company.

Voting Policy

We will generally vote on a case by case basis when the number of directors is outside this guideline or on proposals that seek to change the size of the Board. We will generally vote against proposals that provide management the ability to alter the size of the Board without shareholder approval. We will support proposals to set a minimum or maximum number of directors on a Board.

3.4 Diversity of the Board

Each director should add something unique and valuable to the Board as a whole. King II recommends that South African companies consider the countries demographics in deciding the composition of the Board and that every Board should consider whether its diversity and demographics makes it effective. We believe that well-governed companies benefit from a wide diversity of perspective and background on their Boards. We will therefore encourage efforts to increase the diversity of Boards.

Voting policy

If the Board does not include persons from previously disadvantaged backgrounds and women thereby not reflecting the country's demographics, we will generally vote to support such demographic alignment in Board nominees. We will vote for shareholder proposals that ask the company to take steps to increase its diversity or for proposals asking for reports on Board diversity.

3.5 Committees of the Board

Committees have become accepted mechanisms for corporate governance. King II point 2.7.1 of the code states Board committees are an aid to assist the Board and its directors in discharging their duties and responsibilities. Corporations of a sufficient size should, at a minimum (but subject to the size of the business), count the following among the committees of the Board. The Companies Act of 2008 provides the Board with the power to appoint committees and delegate any of their authority to these committees, subject to the company's Memorandum of Incorporation.

Audit Committee - the Audit committee will be responsible for ensuring the accurate accounting and reporting of the company's financial performance, ensuring that adequate internal control measures exist, and overseeing the annual external audit of the company. Members should have relevant experience and the majority should be financially literate. In King II, point 6.3 of the code states that the Audit committee should have written terms of reference and the members should be disclosed in the annual report.



Corporate Governance Committee - the Corporate Governance committee is responsible for the oversight of the governance of the company and compliance issues in general.

Remuneration Committee - the Remuneration committee, consisting entirely or mainly of independent non-executive directors, should make recommendations to the Board within agreed terms of reference on the company's framework of executive remuneration and to decide specific remuneration packages for each of the executive directors. This is ultimately the responsibility of the Board. An independent director must chair this committee. In order to obtain his or her opinion on the remuneration of the other executives, the committee should consult the chief executive officer, who may attend meetings by invitation. However, a chief executive should play no part in decisions regarding his/her own remuneration.

Nominating Committee - the Nominating committee should identify the Board's need for new or additional directors and skill sets, and then recruit, nominate, and orientate new directors. The committee should also assess the need for certain skills on the Board that may be lacking.

Risk Committee - King II point 3.1.6 states the Risk committee should assist the Board in reviewing the risk management process and the significant risk facing the company.

Social and Ethics Committee – the Companies Act, 2008 and regulation 43 (2) states that every state owned company, listed public company scoring above 500 points in any of two of the previous five years is required to have a Social and Ethics Committee. The Ethics committee will report to the board.

The Chair and committee members should all be independent directors.

Voting policy

We will vote for shareholder proposals that request that the Board Audit, Remuneration, Risk, Nominating Social and Ethics committees include independent directors.

We will not necessarily vote against the Board for failing to establish any or all of the above committees, but depending on the size and nature of the business, we will actively encourage the Board to do so. Futuregrowth will support proposals to establish any or all of the above committees. However, should a company not have an independent remuneration committee we will vote against the approval of director emoluments.

3.6 Number of boards where CEO is a Director

A CEO's primary fiduciary responsibility is towards the company that they head. Generally, if they sit on more than two other Boards, it could interfere with their fiduciary responsibilities.

Voting policy

We will generally vote against the appointment of a CEO if the individual sits on more than two other Boards.

4. Board effectiveness

4.1 Performance evaluation of directors and Board

King II recommends that a Board should evaluate its own performance and that of its directors in accordance with the strategic objectives outlined in the corporate strategy of the company. Directors should be urged and encouraged to contribute to company deliberations.



Voting policy

Futuregrowth will support proposals to institute and develop performance evaluations for the Board of directors.

4.2 Annual election of all directors

The annual election of all directors is a necessary part of maintaining accountability to shareholders and is seen as an effective way to ensure that shareholders can make changes in the composition or control of the Board during periods of deteriorating company or Board performance.

Voting policy

Futuregrowth will support proposals to elect all Board members annually and to abolish staggered Boards (where directors are elected for three-year overlapping terms).

4.3 Training of directors

Directors are required to exercise their powers and perform their functions, in good faith, for a proper purpose and in the interests of the company. They are further required to exercise a degree of care, skill and diligence that may reasonably be expected of a person carrying out the same functions as those carried out by that director and have the general knowledge, skill and experience of a director. Directors should therefore be knowledgeable in areas such as finance, accounting, remuneration and management.

Voting policy

We will support proposals or efforts by Boards to improve their performance and the training available. We encourage induction and education programs for all new directors.

5. Shareholder democracy**5.1 Directors proposed on a single resolution**

Futuregrowth prefers that directors be re-elected individually by means of separate resolutions. When more than one director is proposed on a single resolution, it removes the shareholders ability to withhold votes for individual directors. Boards may use the single resolution as a means of protecting individual Board members. It is a sign of Board confidence in its governance practices if there is a separate election of each individual Board nominee.

Voting policy

We will support proposals that directors are voted on separately and oppose any proposals requiring cumulative voting unless there is a clear need for them, such as where it can ensure an independent voice on an unresponsive Board.

5.2 Election of directors

Votes on individual director nominees are made on a case by case basis. Factors that King II recommends which we consider are:

- Number of other Board positions held by directors. Generally directors should serve on no more than six Boards.
- The frequency of attendance at meetings. Individual directors should be expected to attend all meetings. A director's continued service should be reviewed if the director does not attend at least 75% of Board meetings without a compelling reason.
- Directors should be individuals of caliber and credibility and have adequate skills and experience at a minimum as required by the Companies Act of 2008.



- There should be a transparent recruiting system for new directors.

Other factors that we will consider in evaluating the appointment of directors and particularly the CEO is the number of year's relevant experience they have.

Voting policy

We support proposals to limit the number of Boards on which directors may serve. When deciding on the election for new directors, we will evaluate them against the criteria mentioned above.

We will vote against the appointment of directors who have missed over 25% of meetings.

We will vote against the appointment of new directors if we believe the recruitment process is not transparent.

Futuregrowth will generally vote against proposals that require directors to own a minimum number of shares as this could pose a barrier to other qualified directors.

Futuregrowth supports any shareholder proposal requesting that companies disclose the number of years experience directors have as well as the date the CEO was appointed.

5.3 Term and age limits for directors

Futuregrowth generally does not favour term limits for directors or compulsory retirement ages for directors as they impose an arbitrary time limit regardless of the director's performance. While these provisions will rid the Board of non-performing directors over time, it will also force experienced and effective directors off the Board.

Voting policy

In general, Futuregrowth will vote against proposals to introduce term limits or compulsory ages for directors. We support the recommended practice that, if the term exceeds the three year period, then full disclosure of the reasons pertaining to such decision must be provided to the shareholders, and the shareholders' consent must be obtained e.g. acknowledging circumstances of special skill or institutional memory.

5.4 Disclosure of prior government service

Futuregrowth will support shareholder proposals calling for the disclosure of prior government service of the company's key executives.

5.5 Director, officer and auditor indemnification and liability protection

Futuregrowth will on a case by case basis, evaluate proposals to change a company's Memorandum of Incorporation which grant directors and auditors indemnification and liability protection. Criteria, which we will consider, are:

- Where they are necessary to attract and retain directors.
- Where the actions undertaken are lawful and in good faith with the view to the best interest of the company.

Voting policy

Futuregrowth will vote against proposals, which include the authorisation to indemnify auditors.



5.6 Number of Board Meetings

Futuregrowth supports proposals requesting companies to have at least four Board meetings a year.

5.7 Directors meeting without CEO

Futuregrowth encourages Boards to meet regularly without the CEO being present and will therefore support any shareholder proposals in this regard.

6. Executive remuneration

Futuregrowth supports the review and discussion of executive remuneration arrangements at shareholder meetings. King II states that the levels of remuneration should be sufficient to attract, retain and motivate executives of the quality required by the Board. We believe that any remuneration plan should attempt to align the long-term interests of shareholders and employees with the interests of management and directors. Prosperity should be shared broadly as well as the downside risk of share ownership. In order to do so, performance related elements of remuneration should form a substantial portion of the total remuneration package of executives. We believe in the philosophy of pay for superior performance in executive compensation plans, whereby annual incentives or bonuses would use defined financial performance criteria benchmarked against a disclosed peer group of companies, and no bonus would be paid unless the company's performance exceeds its peers' median or mean performance on selected financial criteria.

Similarly, the proposal recommends that options, restricted shares, or other equity or non-equity compensation used should be "structured so that compensation is received only when the company's performance exceeds its peers' median or mean performance on the selected financial and stock price performance criteria."

For similar reasons, we encourage all directors to be shareowners. Executive remuneration packages should be transparent and shareowners should have the right to vote on any major share option scheme. The remuneration plan should be developed and maintained by the Remuneration committee. We support any proposals requesting companies to disclose their remuneration of their top management.

6.1 Increased disclosure of executive remuneration (this includes salaries, bonuses, share option gains, other emoluments).

Futuregrowth will vote for shareholder proposals seeking increased disclosure of executive remuneration and will encourage prior shareholder approval of remuneration schemes. We will support proposals that require the directors and top management's remuneration packages to be fully disclosed and explained and to be subject to shareholder approval. We believe that there must be sufficient disclosure to allow shareholders to determine and monitor the pay and performance correlation. In cases where there is in our opinion insufficient clarity on how executive remuneration is derived we will vote against the approval.

6.2 Pay Equity

Futuregrowth will generally vote for proposals to prepare pay equity reports seeking to compare the wages of the lowest paid worker to the highest paid workers. We will generally not support remuneration plans that create or increase disparities in the work place that may adversely affect employee morale and productivity.

6.3 Performance based remuneration

Executives should be compensated adequately for the time and work required to fulfill their responsibilities. However, directors' remuneration packages should not reward poor performance or



provide greater compensation than the performance of the company warrants. If they do, Futuregrowth will generally vote against proposals where executive remuneration is considered excessive in relation to required input and company performance. Futuregrowth will vote against unexplained increases in bonuses during periods of poor performance. As a broad guideline, it appears reasonable that CEO bonuses should be limited to 150% of basic salary. Futuregrowth supports companies obtaining independent opinions regarding executive remuneration.

6.4 Emoluments of non-executive directors

Futuregrowth will generally support non-executive emoluments if these are based on individual directors' contribution to the company's performance, is linked to actual attendance of meetings and provided this is not excessive.

6.5 Link remuneration to social and environmental performance

Futuregrowth will generally support shareholder proposals linking executive pay to non-financial factors such as diversity, labour and human rights, environment, community relations and other social issues as recommended in King II's "triple bottom line" principles.

6.6 Share option incentive schemes

Share incentive schemes can transfer significant amounts of wealth from shareholders to executives and directors. Futuregrowth will therefore review each remuneration plan with respect to share option schemes on a case by case basis. These schemes should be designed to provide incentives as opposed to risk free rewards.

Shares for Directors - Futuregrowth will generally support proposals that call for a certain percentage of director's remuneration to be in the form of shares.

Performance vesting - Futuregrowth will generally support incentive plans that link the granting of options, or the vesting of options previously granted, to specific long-term fundamental performance targets. We will also encourage the disclosure of adequate information to judge the "drivers" of the incentive components of remuneration packages. Where the vesting of incentive schemes is related to the passage of time, Futuregrowth would like to ensure that the share incentive schemes only begin vesting after a minimum of two years, but preferably three years. Full vesting should be only after a minimum period of four years, but preferably five years. We will vote against option plans that are 100% vested when granted.

Price - Futuregrowth will generally support share incentive schemes where the underlying securities will be issued at market value or a small discount. Options must be priced at a level that conforms to the pay-for-performance principle. Where options are issued at a discount to market value, the maximum discount approved is 10%.

Re-pricing - Where it is proposed to re-price share options, this should be subject to prior shareholder approval. We will generally not support plans that allow the re-pricing of share options or the reissue of out-the-money options.

Expiry - Futuregrowth will generally support plans where options have a life of no more than ten years.

Excessive dilution - Futuregrowth will generally not support incentive plan amendments if the total potential dilution of share capital resulting from the vesting of share options exceeds 3% per annum. Exceeding this dilution level causes unnecessary reduction in the value of current shareholders holdings and dilutes their voting rights. In addition, Futuregrowth will also not support plans that authorise share



schemes representing 15% or more in the case of small companies (market capitalisation less than R2bn), and 10% for larger companies, of the outstanding shares. Exceptions may be based on a company's need to recruit and maintain highly qualified people in very competitive labour markets e.g. Information Technology.

Share incentive schemes with dilutions approaching our maximum levels should meet at least one of the following criteria:

- The plan is open to all employees,
- The company is a growth company,
- The company is in a difficult financial position, and
- The company compensation policy is below competitive levels for the industry.

There may be isolated instances in which a slightly higher dilution above these thresholds may be in the best interest of shareholders. We will vote on this on a case by case basis.

Concentration - Futuregrowth will generally not support granting 20% or more of the option pool in any given year to a single individual or more than 1% of the total issued share capital.

Board discretion - Futuregrowth will generally not support plans that grant the Board broad discretion in setting the terms and conditions of incentive programs.

Employee loans - Futuregrowth will generally not support plans that allow employees to acquire shares or options with a company-provided, interest free or low interest loan.

Share option expensing - Current accounting rules do not require companies to expense share options as a cost in the income statement. We believe this practice distorts earnings. We will support resolutions calling for companies to expense the cost of share options in their annual income statement.

Options granted to top five executives - We will support resolutions calling for companies to disclose the percentage of options granted to the top 5 executives in the last financial year.

Director eligibility - We will generally support option plans for directors as long as the terms and conditions are clearly defined and reasonable and these directors and not members of the remuneration committee.

Evergreen/Re-loaded options - We are against option schemes that automatically replenish options exercised.

Awards to consultants/contractors - Futuregrowth will vote against share option plans that include consultants and contractors.

Prior approval - We will not retro-actively approve option schemes already implemented.

6.7 Severance agreements - "Golden parachutes"

Futuregrowth will vote for shareholder proposals to have severance packages submitted for shareholder approval. Futuregrowth will generally vote against golden parachutes if they exceed the equivalent of one year of annual salary. We will vote against severance packages for non-executive directors that are contingent upon mergers/acquisitions.



6.8 Tying remuneration to dividends or earnings per share

Futuregrowth generally opposes resolutions that ask companies to tie any executive remuneration to the amount of dividends paid to shareholders or solely to growth in earnings per share.

7. Capital structure and shareholder rights

7.1 Shareholder relations

King II recommends that companies actively and constructively engage with shareholders. Boards must ensure that there is a willingness to communicate directly with shareholders and disclose information that demonstrates accountability to shareholders and other stakeholders.

Voting policy

Futuregrowth will support any resolution that facilitates good communication between directors and shareholders and other stakeholders.

7.2 Confidential voting and independent tabulation of the vote

Futuregrowth believes that it is important that proxy voters be protected from potential management coercion to change their votes. We therefore will support proposals to introduce confidential voting and independent tabulation of the vote.

7.3 Dual class shares and preferential voting rights

Dual class shares refers to unequal voting rights between classes of shares and could mean that a minority of shareholders have the ability to make decisions that may not be in the interest of all shareholders, or may not be supported by the majority.

Voting policy

Futuregrowth will not support the creation or extension of a dual class share structure or any proposals to create classes of shares with unequal voting rights.

7.4 Increasing authorised shares and share issues.

Futuregrowth recognizes that directors may need the flexibility to issue shares to meet changing financial conditions, which may include supporting an acquisition or countering a takeover or plans to restructure debt. As increasing the share capital dilutes existing shareholders, the authorisation of additional shares should be motivated and used for legitimate business purposes only and be approved by shareholders.

Voting policy

We will review proposals to increase the authorised share capital on a case by case basis. We will generally not support proposals that seek a 50 percent or greater increase in authorised shares. Futuregrowth will generally not support blanket authority to issue shares. Futuregrowth will generally vote against any proposal to issue equity that will cause excessive dilution without a valid business need. Where companies seek to place shares privately for cash, they must obtain prior shareholder approval.

7.5 Share repurchases

Shareholders can benefit from share buy backs near or below book value. A buy- back however has less merit during strong market periods and can inflate option driven compensation. Share repurchases also reduce share liquidity.



Voting policy

We will generally not support blanket authority to repurchase shares. Futuregrowth will generally support share buy-back plans that are limited to 10% of shares as long as one of the following criteria applies.

- Different classes of shares are able to vote separately.
- There is an accompanied increase in the cash dividend.
- The shares are trading near or below book value.
- There will be no negative impact on share liquidity.
- There is no pyramid control structure.

7.6 Financial statements/Reports of directors and auditors.**Voting policy**

Futuregrowth will generally vote in favour of resolutions seeking approval of financial statements and other reports to shareholders unless there is concern about the actions of directors or auditors or there is a qualified audit opinion. We will generally vote against the approval of financials if there is insufficient financial disclosure or a significant off balance sheet transaction.

7.7 Dividends

Futuregrowth favours regular dividend increases because they provide a return to shareholders. Scrip dividend alternatives allow the company to retain more cash and enhance shareholder value in the long run. We will support scrip dividends provided that the cash alternative has similar value.

Voting policy

Futuregrowth will generally support scrip dividend as alternative proposals, unless they do not allow for a cash option.

7.8 Shareholder approval of mergers and acquisitions and changes in control.

Futuregrowth supports proposals that require directors to submit to shareholders any major changes in the structure or control of the company. We generally do not support cross shareholdings. Votes on mergers and acquisitions will be evaluated on a case by case basis. Futuregrowth will support takeover defenses if they are designed to protect shareholder value rather than to protect the Board and management. We will not support any proposals that grant certain shareholders rights in the event of a hostile takeover. Futuregrowth will vote against all anti-takeover proposals unless they are structured in such a way as to give shareholders the ultimate decision on any offer. We will also not support share option schemes where shares are placed in a trust as a way of avoiding a takeover.

7.9 Leveraged buy-outs and other management purchase transactions

Futuregrowth will evaluate leverage buy-outs and other purchase transactions on a case-by-case basis, but we will not support transactions that do not adequately compensate minority shareholders.

7.10 Virtual meetings and electronic voting

Futuregrowth will support companies, which want to allow holding AGM's via the internet provided it is permitted by its Memorandum of Incorporation. We will also support electronic voting.

7.11 Shareholder and stakeholder proposals

Shareholder proposals can be beneficial to both companies and their shareholders. Futuregrowth supports companies that encourage shareholder proposals and will evaluate them on a case by case basis. We will however, generally not support proposals that place arbitrary constraints on management.



Proxy voting

We encourage Boards to include opposing views on proxy circulars and to publicly communicate proxy-voting results.

7.12 Granting authority for directors to conduct other business

Futuregrowth opposes director requests to approve other business because this provides them with broad authority to act without shareholder consent even when shareholders have an interest in the issue.

7.13 Preference shares

Futuregrowth will vote against proposals authorising the creation of new classes of preferred stock with unspecified voting conversion, dividend distribution and other rights.

7.14 Pre-emptive rights

Futuregrowth will review on a case-by-case basis proposals that seek new pre-emptive rights or remove existing pre-emptive rights. In evaluating proposals on pre-emptive rights we will consider the size of the company and the characteristics of its shareholder base.

7.15 Share splits and consolidations

We will generally support management proposals to increase the authorised share capital where this is required for share splits, provided that this increase is not excessive. We will review this on a case-by-case basis to consolidate shares where there is no proportional reduction in the number of shares authorised for issue.

7.16 Odd lot offers

We will assess odd lot offers on a case-by-case basis, but generally support resolutions that reduce administrative costs to small shareholders.

7.17 Code of ethical conduct

Futuregrowth will support proposals that companies disclose their code of ethics especially their policy regarding curtailing insider trading.

8. Appointment of auditors

An annual audit (King II) is essential requirement in a well governed company and is one of the cornerstones of good corporate governance. The external audit provides an independent and objective check on the way in which the financial statements have been prepared and presented by the directors when exercising their stewardship to the stakeholders. Auditor independence is vital to shareholders. Shareholders must be confident that they can rely on the company's annual financial statements and that the auditors who produced the information have not been compromised.

Voting policy

Futuregrowth will generally support the choice of auditors recommended by the independent Audit Committee. Where auditors are being changed, we will review the reasons on a case by case basis. Futuregrowth will generally vote against auditors if more than half of their fees paid to them in the previous year were for services other than the annual audit, as in these cases we believe their independence could be compromised.

9. Stakeholders issues

King II recognises that stakeholders have a direct bearing on ongoing corporate sustainability and financial performance. Stakeholder perception is recognised as a significant market value driver and the



relationship with stakeholders should be managed accordingly. Futuregrowth believes that corporate sustainability is closely related to corporate governance and is consistent with long-term profitability, and that a company's effective management of social, environmental and ethical associated risks can lead to long-term business success. In addition, Futuregrowth is mindful of its social responsibility as an institutional investor, which obliges us to consider the consequences of our investment decisions on society and the environment.

Voting policy

We support proposals relating to corporate sustainability that is in the best interest of all shareholders and the long-term interest of the company. Futuregrowth votes in support of proposals to strengthen corporate disclosure of social, ethical, health, safety, environmental and all issues affecting the long-term sustainable performance of the company aimed at mitigating potential risks. We endorse companies that follow the United Nations Global Compacts Principles which promote sustainable business practices.

9.1 Sustainability reporting

Companies are being asked to play a larger role in addressing sustainability issues by integrating and balancing their economic, environmental and social performance. This has created a demand for broadly accepted performance indicators and reporting guidelines.

Voting policy

Futuregrowth will support proposals asking companies to prepare sustainability reports, including publishing reports in accordance with the Global Reporting Initiative (GRI) the "gold standard" for sustainability reporting or any other reasonable code.

9.2 Environmental issues

A company's environmental policies and performance can have a substantial effect on financial performance. Consequently, as part of their operational process, companies should include environmental scoping, impact assessment and management plans if the core business has a negative impact on the environment. Wherever possible, companies should be steered towards sustainable environmental practices e.g. in areas of renewable energy, innovative waste management and water conservation. Futuregrowth endorses the United Nations Global Compact Principles on environmental management:

- Principle 7: Businesses should support a precautionary approach to environmental challenges,
- Principle 8: undertake initiatives to promote greater environmental responsibility, and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Voting policy

Futuregrowth will support resolutions encouraging the above and proposals that a company adopt and abide by the Global Compact principles.

9.3 Empowerment, BEE and employment equity

South Africa has an unfortunate history of social inequality and imbalances. Redressing the continued unequal distribution of ownership, management and control of South Africa's economic resources is crucial for the long-term survival of companies and the South African economy.

Companies should review empowerment issues; ensuring that proposals are always in favour of the business, that there is appropriate risk sharing and that it is in line with the relevant Black Economic Empowerment (BEE) sector charter. Companies need to transform their workplaces at all levels to



ensure that they more accurately reflect the country’s demographics. Companies should also adopt procurement policies, which foster BEE principles.

Voting policy

Futuregrowth will support resolutions encouraging the above, improving diversity and equity in the workplace. We will also support proposals asking companies to expand on their reporting on their efforts to comply with the Employment Equity Plan and BEE procurement policies and plans. We support resolutions that ask companies to identify the number of employees with disabilities hired and to provide a description of any programs to specifically increase that number.

9.4 Employee Share Ownership Plans (ESOPs)

Futuregrowth believes that encouraging employee share ownership will not only increase employee wealth but also achieve sustained superior performance. Futuregrowth generally supports employee share purchase plans with dilution levels up to 10% as long as discounts do not exceed 30%

Voting policy

We will vote in favour of proposals to approve ESOPs created to promote active employee ownership and report on employee ownership.

9.5 Labour relations

Uphold freedom of association and recognising the right to collective bargaining can have a pervasive effect on the performance of a company as well as the communities in which it operates.

Voting policy

Futuregrowth will generally support resolutions requesting companies to adopt codes of conduct, such as the United Nations Global Compact, which address labour and human right practices. We will vote in favour of proposals asking companies to provide a safe and healthy working environment.

9.6 HIV/AIDS

The HIV/AIDS pandemic is a material threat in South Africa and to the long-term viability of many companies. Accordingly, companies need to urgently:

- Gain an understanding of the social and financial risks posed by HIV/AIDS.
- Develop a strategic HIV/AIDS management plan to address and manage the potential impact of HIV/AIDS on their business activities.
- Implement preventive plans and treatment plans for HIV/AIDS in the work place.
- Regularly monitor and measure performance using established indicators and assess future liabilities of HIV/AIDS on the workforce.
- Provide education on HIV/AIDS in the work place.
- Report regularly on the above to stakeholders.

Voting policy

We will support resolutions encouraging the above.

9.7 Political contributions and charitable donations

Futuregrowth will support any resolution requesting companies to disclose contributions made to political parties and donations made to charitable organisations.



9.8 Lawsuits

Futuregrowth supports resolutions requiring companies to disclose all material lawsuits that it has been involved in, in the last 3 years including action taken by shareowners and organised labour as well as any cases involving environmental issues.

9.9 Conflict of interest

Futuregrowth owes a duty of undivided loyalty to its clients. The guiding principle motivating our entire business is to make client interests our top priority. Fund managers have a duty to put the interests of their clients over and above self-interest. The fundamental relationship between Futuregrowth and its clients is one of trust; accordingly, our reputation and integrity must always be beyond reproach.

Where Futuregrowth exercises voting rights on behalf of clients, it owes a duty to exercise the voting powers in the best long-term interests of its clients. In exceptional circumstances where there is a variance in the vote from the Proxy Voting Guidelines, which could lend itself to potential conflict of interest; Futuregrowth will immediately have discussions with our clients to determine how the proxy should be voted.

9.10 Issues not specifically addressed

In developing our proxy voting guidelines we have not specifically addressed various issues which we believe have a specific social focus and not necessarily a requirement for good corporate governance. Nonetheless, they are material issues that could positively or negatively affect shareholder value and the long-term sustainability of the company. Therefore, should our clients be concerned about these issues we will develop appropriate voting policies.

- Responsible supply chain management
- Animal welfare
- International operations – exploitative labour, bribery and corruption e.g.
- China, Burma, Tibet and Indonesian business practices
- Equal credit opportunity, predatory lending practices and redlining
- Non-partisanship and political contributions
- Economically targeted investments
- Non-governmental organisation engagement
- Weapons contracting
- Tobacco
- Gambling
- Pornography
- Genetically engineered food products
- National resources conservation
- Recycling
- Marketing of pharmaceutical products and drug pricing
- Fair lending practice



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3rd Floor, Great Westerford
240 Main Road, Rondebosch
7700, South Africa
Private Bag X6, Newlands, 7725, South Africa
Tel: +27 21 659 5300 Fax: +27 21 659 5400
www.futuregrowth.co.za