GIPF

To guard, and to grow.

Proxy Voting and Corporate Governance and Engagement Policy

	NAME	DESIGNATION	SIGNATURE	DATE
POLICY ORIGINATOR	E. Luanda	Manager: Corporate Governance		5/12/2014
POLICY OWNER	D. Nuyoma	Chief Executive Officer		05/12/2014
GIPF APPROVAL	M. Gaomab II	Chairman: Board of Trustees		05/12/14

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2. Governance of Policy **88-89**

The Policy comprises six Chapters to wit:

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CHAPTER 1
INTRODUCTORY PROVISIONS

1. DEFINITIONS

In this Policy, unless the context indicates otherwise-

1.1 **"Articles and Memorandum of Association"** means the constituent documents of a company and any reference in this policy to a company's Articles and Memorandum of Association must be construed as a reference to such company's Memorandum of Incorporation, where applicable.

1.2 **"Audit committee"** means a group of board directors charged with overseeing the company's financial reporting process, internal accounting and audit matters, and the selection and monitoring of external auditors.

1.3 **"Corporate Engagement"** means the process by which the GIPF as an investor engages, directly or indirectly, with an investee company's management on environmental, governance, social and related issues to influence managerial behavior, promote change and to ensure that companies invest responsibly so as to create sustainable value over time.

1.4 **"Corporate Governance"** refers to the framework of rules and practices by which a board of directors ensures accountability, fairness, and transparency in a company's relationship with its all stakeholders (financiers, customers, management, employees, government, and the community) and such framework consists of-

1.4.1 explicit and implicit contracts between the company and the stakeholders for distribution of responsibilities, rights, and rewards;

1.4.2 procedures for reconciling the sometimes conflicting interests of stakeholders in accordance with their duties, privileges, and roles; and

1.4.3 procedures for proper supervision, control, and information-flows to serve as a system of checks-and-balances.

1.5 **"Dual Class Share"** means a dual share issued for a single company with varying classes indicating different voting rights and dividend payments.

1.6 **"GIPF"** means the Government Institutions Pension Fund, a pension fund organization as defined in section 1 of the Pension Funds Act, No. 24 of 1956, registered as such by the Registrar of Pension Funds.

1.7 **"CRISA Code"** means the Code for Responsible Investing in SA aimed at giving guidance on how the institutional investor should execute investment analysis and investment activities and exercise rights so as to promote sound governance.

1.8 **"Integrated Reporting"** is the combining of material, financial and non-financial information about any commercial or non-commercial organization in a single document incorporating how an organization's strategy, governance, performance and prospects, in the context of its external environment (particularly the economy, society and natural environment) lead to the creation of value over the short, medium and long term as espoused in the International Framework for Integrated Reporting developed by the International Integrated Reporting Council, aimed at establishing Guiding Principles and Content Elements that govern the overall content of an integrated report.

1.9 **"King III Code"** means the King Code on Governance for South Africa of 2009.

1.10 **"NamCode"** means the Corporate Governance Code for Namibia of 2014.

1.11 **Namibian Companies Act** means the Companies Act, No 28 of 2004 applicable in Namibia.

1.12 "**Proxy**" means the written power of attorney given by shareholders of a corporation, authorising a specific vote on their behalf at corporate meetings.

1.13 **"Pension Funds Act"** means the Pension Funds Act, Act No. 24 of 1956.

1.14 **"Registrar of Pension Funds"** means the person appointed as such in terms of section 3 of the Pension Funds Act.

1.15 **"South African Companies Act"** means the Companies Act, No 71 of 2008 applicable in South Africa.

2. GUIDING PRINCIPLES

The following guiding principles inhere in this Policy:

2.1 The GIPF as a pension fund organization has fiduciary duties towards its members as the ultimate beneficiaries of any investments the Fund makes and is also accountable in this regard.

2.2 It is emphasised at the onset that GIPF as a financial institution is burdened with the statutory duties to observe the utmost good faith and to exercise proper care and diligence in investing, keeping in safe custody or otherwise controlling or administering any funds of the institution.

2.3 The GIPF is the largest pension fund and institutional investor in the Namibian economy and as such owns shares in numerous publicly traded companies around the world. Share ownership carries with it important rights and responsibilities, including the right to vote shares at company meetings. The proxy vote is an important asset of a pension fund. GIPF has a fiduciary duty to obtain the highest returns for its members within acceptable risk limits.

2.4 In accordance with its fiduciary duties, GIPF exercises its ownership rights by voting proxies diligently in a manner intended to optimize the long-term value of its investments.

2.5 The GIPF endorses the CRISA Code, which applies to the GIPF given the Fund's South African held investments. CRISA Code principles and guidelines require adherents to have a voting policy and to commit to disclosing publicly how they voted. The GIPF therefore commit to make publicly available the record of voting after voting at shareholder meetings. These records will be availed to GIPF stakeholders and the companies in which the Fund owns shares to enable them to understand how GIPF voted and the reasons for voting in such a manner.

2.6 Where GIPF outsourced its proxy voting to an external third party such as a fund manager, fiduciary manager or voting service provider such third party will also publicly report on how they voted on behalf of the Fund.

2.7 The GIPF supports integrated corporate reporting in terms of which providers of financial capital are expected to explain how an organization creates value over time. The definition of "value" has evolved from its traditional measure in financial terms. It is no longer appropriate for institutional investors to focus on only monetary benefit to the ultimate beneficiaries of investments to the exclusion of factors that impact on long-term sustainability. Modern governance thinking advocates that in addition to economic considerations, boards of companies should consider all those factors which impact the long-term value of companies such as the natural environment and social factors. Such an approach will in the long-term be in the interest of ultimate beneficiaries as part of the delivery of superior risk-adjusted returns on investments done cognisant of the environmental and socio-economic context.

2.8 An integrated report benefits all stakeholders interested in an organization's ability to create value over time, including employees, customers, suppliers, business partners, local communities, legislators, regulators and policy-makers.

2.9 The GIPF therefore endorses the International Framework for Integrated Reporting developed by the International Integrated Reporting Council, aimed at establishing Guiding Principles and Content Elements that govern the overall content of an integrated report.

2.10 The GIPF also supports the statement in the NamCode that-

"By issuing integrated reports a company increases the trust and confidence of its stakeholders and the legitimacy of the its operations... The integrated report ...should have sufficient information to record how the company has positively and negatively impacted on the economic life of the community in which it operated during the year under review, often categorised as environmental, social and governance issues (ESG)"

2.11 The GIPF, being the 1000th signatory of the UN-supported Principles for Responsible Investment (UNPRI), underscores the second PRI principle in the context of this Policy, which principle advocates active ownership and entails the following:

(a) Enhancing corporate governance and thus the performance of companies in which the Fund is invested;

(b) Enhancing the sustainability of the companies in which the Fund is invested;

(c) Creating a consistency of outlook between the Fund and mandated asset managers as well as primary stakeholders as to how the GIPF's funds would be invested.

2.12 The GIPF maintains the view that well-governed companies apply an effective corporate governance system in any company and demonstrate consistency with such system through the decisions the board makes. Boards and directors must:

(a) recognize the trust that has been given to them by shareowners through their election to the board and therefore should not benefit from this situation by entering into self-serving activities;

(b) understand that shareowners provide capital to the firm in exchange for ownership of the company and therefore have an expectation to receive an appropriate return on that capital. Boards and directors should not enter into transactions which disproportionately transfer excessive amounts of capital to any group or individual, internal or external to the company;

(c) think and act independently from management, free from conflicts of interest and in accordance with their fiduciary duties. At the minimum, directors must demonstrate a working knowledge of the industry in which the company operates, including operations and risks, and must be willing and able to challenge management. Furthermore, they must continually undertake the necessary efforts to understand the current and emerging issues and risks facing the company and its industry in order to make decisions from the most informed perspective possible;

(d) have the freedom to apply their judgment and make decisions that they believe are in keeping with their obligations as directors knowing that they will be held accountable for the decisions they make. Boards and directors understand that companies must take risks, but should not take risks inconsistent with the best interests of the corporation or its shareowners;

(e) give the highest regard to shareowner rights, the equality in treatment of shareowners and the shareowner democratic process in their decision making processes such that all actions taken by the board will demonstrate this underlying respect for the owners of the corporation;

(f) take an objective approach to evaluating management and ensure that any compensation rewards are to be commensurate with performance and the creation of sustainable shareholder value;

(g) will be sufficiently transparent in their communication with shareowners;

(h) will make a real and demonstrated commitment to board diversity by seeking out and appointing qualified diverse directors in sufficient numbers so they can be effective in having their views expressed and debated at the board level.

2.13 GIPF places a high premium on a responsible approach to investing on behalf of our members. Our mandate and duty is to use diligence when investing other people's money and our investment decisions are based on the obligation of the Fund to pay our members' pensions when due.

2.14 Arriving at a decision to invest is a complex process requiring an integrated approach, which assesses the risks of a number of financial and non-financial factors. Some of the non-financial considerations include environmental, social and governance issues. Our investment decisions consider the magnitude and management of the material risks versus the potential return uncovered through our research. We do not select or exclude an investment based solely on any one factor.

2.15 As a responsible investor, we consider good corporate governance to be the over-arching framework for effective company management. GIPF believes that a strong governance structure underpins a company's ability to effectively deal with risks. That being said, we recognize that structure alone does not create a well-governed company – how that board functions within its structure is also critical. That is why we also look at company, board and director performance and will hold directors and boards accountable for the decisions they make.

2.16 In order to check accountability, we continually monitor a company's financial and non-financial performance after the investment has been made. From a governance perspective we engage in a number of activities, some of which are regular and on-going while others are conducted on a case-by-case basis, such as:

(a) Encouraging regular engagement with companies;

(b) Voting our shares in the most informed manner possible;

(c) Examining and assessing the ability of the board of directors to make effective decisions that are in the best interests of the corporation;

(d) Collaborating with other investors where appropriate;

(e) Entering into targeted discussions with companies when the situation warrants;

(f) Taking any other action we deem to be appropriate under the circumstances.

The above approach to responsible investing guides how we vote our shares. Our voting decision takes into account issues such as materiality of the risk, return objectives, the mind-set of the company as well as their alignment with our Corporate Governance Principles.

2.17 One of our most important rights as an institutional investor is the right to vote. We ensure that our votes are cast in a manner that is most consistent with our Corporate Governance Principles and in the best economic interests of company shareholders over the long term.

2.18 For that reason we consider the right to vote to be one of our most effective tools for promoting good corporate governance. We therefore take the issue of voting very seriously. Our objective is to vote every share of every company we own at every meeting of that company's shareholders. All issues, routine or non-routine, are reviewed in detail within the context of our Corporate Governance Principles and corresponding Proxy Voting Guidelines, as contained in this Policy. Our assessment process consists of consulting a variety of sources, including all relevant company filings and other materials we have access to, such as proxy party research providers.

2.19 We will generally provide a rationale for our voting decisions when voting against a management recommendation or if the proposal is non-routine in nature. We also support the prompt disclosure of the voting results of each proposal voted on at a meeting of shareholders.

2.20 It is expected of companies to comply with the GIPF's standards as set out in this Policy or if they do not comply, explain publicly why they do not.

2.21 The GIPF endeavours to continuously develop and will implement the Corporate Governance and Engagement Principles and Proxy Voting Guidelines contained in this Policy.

3. CORPORATE PHILOSOPHY

3.1 The GIPF supports a long-term investment policy aligned to the asset-liability model (ALM) and/or liability-driven investment (LDI) techniques, which the Fund has adopted.

3.2 The GIPF's investment strategy is premised on the philosophy that investment returns of the Fund should exceed or at least match the liabilities of the Fund as they fall due.

3.3 The GIPF operates on the actuarial assumption, which includes the long-term requirement that investment returns on the Fund's assets after tax and portfolio management fees should be at least 3% higher than that of the greater of either salary inflation or inflation as measured by the Consumer Price Index.

3.4 The GIPF endeavours to ensure that investment risk is effectively managed through a balanced and diversified investment approach at Fund level, a prudent allocation of assets to portfolio managers and careful investment monitoring.

3.5 The GIPF strives to manage the Fund's assets in the best interest of its members, pensioners and other associated beneficiaries (such as annuitants).

3.6 The GIPF, conscious of the need to derive maximum returns for its members, seeks to ensure that there is voting on all its proxies and disclosure of all voting records by asset managers.

3.7 The GIPF, being fully cognisant of the adverse effects the Fund suffered as a result of the 2007 economic crisis, will ensure that the risks associated with poor corporate governance are avoided through the adoption of best practice corporate governance standards, which in turn may inculcate a corporate culture of integrity, financial accountability, ethical leadership and long-term strategic goals for sustainable growth and profit in the interest of humanity.

4. OVERVIEW OF THE UNDERLYING REGULATORY BASIS SUPPORTING THE POLICY FRAMEWORK

4.1 The GIPF will endeavour to align as far as possible to the **NamCode** which notes amongst others-

"*Recent experience indicates that market failures in relation to governance are, at least in part, due to an absence of active institutional investors.*"

4.2 The GIPF, by adopting this Policy endorses the position of the **King III Code** on proxy voting and corporate engagement, which holds that:

"*Institutional investors should be encouraged to vote and engage with companies, or require their agents through mandates to vote and engage. This will ensure that governance best practice principles are applied.*" (Supported also by the NamCode)

4.3 The **Financial Services Board (South Africa) Pension Fund Circular 130**, which GIPF endorses in so far as practicable, determines that:

"*Voting rights attached to shares of companies in which funds are invested should be considered an asset to the Fund. Accordingly, the Board of the Fund would be expected to apply the same fiduciary care and consideration to this as it does to the financial investments it makes.*"

4.4 The **United Nations supported Principles for Responsible Investment (UNPRI)**, to which the GIPF is signatory, under principle 2, provides that:

"*We will be active owners and incorporate environmental, social and governance (ESG) issues into our ownership policies and practices*".

4.5 GIPF also supports the Code for Responsible Investing in South Africa (CRISA). Principle 2 states:

"*An institutional investor should demonstrate its acceptance of ownership responsibilities in its investment arrangements and investment activities*".

5. SCOPE OF THE POLICY

5.1 This Policy applies to investee corporate entities in the context of their corporate governance and related activities.

5.2 Legislative instruments of importance for corporate entities resident in Namibia and where applicable, listed on the Namibia Stock Exchange, in the context of this Policy include:

(a) the Namibian Companies Act;

(b) the NamCode;

(c) the Namibian Stock Exchange Listing Rules;

(d) any other applicable legislation, code or best practice guideline.

5.3 With respect to the corporate entities resident in South Africa, and where applicable listed on the Johannesburg Stock Exchange, the following legislative instruments are important in the context of this Policy:

(a) the South African Companies Act;

(b) the JSE Securities Exchange Listing Rules;

(c) the King III Code; and

(d) any other applicable legislation, codes or best practice guidelines.

5.4 Where corporate entities that are not resident in Namibia or South Africa nor listed on the Namibian Stock Exchange, JSE Securities Exchange, the International Corporate Governance Network Principles, the OECD Corporate Governance Principles and the Commonwealth Association for Corporate Governance principles in conjunction with corporate laws and/or corporate governance codes applicable within such jurisdiction, will apply for purposes of this Policy.

6. PURPOSE OF THE POLICY

6.1 The Policy seeks to provide a fiduciary framework and philosophy coupled with the objectives and strategies for corporate engagement by investee companies, in accordance with the corporate governance principles set out herein.

6.2 The Policy also seeks to provide proxy-voting guidelines to guide GIPF fiduciaries, asset managers and proxy voting agents regarding GIPF expectations and requirements in connection with corporate governance of investee companies and proxy voting practices exercised on behalf of the GIPF.

7. OBJECTIVES OF THE POLICY

7.1 The Policy endeavours to enhance GIPF's long-term investment proposition through supporting and promoting in relation to investee companies:

(a) Activities that ensure that executive management and boards of directors of investee companies are acting in the best interests of the GIPF and in a manner that protects the GIPF's assets to the extent of the Fund's shareholding;

(b) Corporate responsibility, financial transparency and responsibility in investee companies;

(c) Corporate governance initiatives that are in the best interests of the GIPF and for enhancing the corporate environment in Namibia, South Africa and any other jurisdiction in which an investee company resides.

7.2 The GIPF may exercise its voting rights attached to the shares it owns in two ways:

7.2.1 By means of its duly authorised employees;

7.2.2 By means of a Proxy Voting Agent, which is an external proxy voting service provider to research and vote the majority of its proxies. The voting fiduciary is responsible for:

(a) Implementing the corporate engagement program in compliance with the Policy.

(b) Proposing changes to the Policy as appropriate.□

(c) Researching all proxies and providing background to each vote.

(d) □Proposing corporate engagement activities to promote.

(e) Monitoring and reporting corporate engagement activities to the Committee and Board as appropriate.□

(f) Handling the day-to-day administration of the corporate engagement program.

(g) Monitoring the corporate governance activities to assure they are within the responsible investing strategy, and overall investment guidelines, and reporting on compliance with the Policy.

(h) Ensuring that corporate engagement activities comply with all aspects of the Policy.□

(i) Scheduling reviews of the Policy with the Board, Strategic Investment Committee and Responsible Investing Committee, as appropriate.

7.3 Where GIPF retained a Proxy Voting Agent, the service provider must-

(a) On a quarterly basis, or more frequently if appropriate, provide a proxy voting report to the Responsible Investing Committee, who must, on a quarterly or annual basis provide a proxy voting record to the Board.

(b) On an on-going basis, report to the Responsible Investing Committee as appropriate, on shareholder resolutions and other corporate governance activities, including exceptions to the Policy, new or high-profile issues and missed or nonconforming votes.

7.4 GIPF's voting record will be availed to beneficiaries through the Fund's Member Communication channels.

CHAPTER 2
CORPORATE GOVERNANCE

1. Introduction

1.1 The GIPF considers corporate governance to be the structures a company puts in place to ensure it is effectively directed and controlled. In a corporate governance system there are three parties – the board of directors, management and shareholders.

1.2 Directors have a fiduciary duty to shareholders and the corporation they serve. Shareholders elect corporate directors to hire, monitor, compensate and, if necessary, terminate senior management. The board is at the apex of corporate governance.

Directors appointed to the board are the most important contact point between share-owners and the assets that they own. As shareholders, GIPF thus places considerable trust in the board of directors to operate in our long-term interests, and to display the strength, intuition, diligence and independence required to hold this office. For directors to effectively discharge these responsibilities, they must be highly qualified, diligent in the performance of their duties, committed to high ethical standards, and independent of the company management they oversee.

1.3 The duty of the board is to act in the long-term best interests of the shareholders and/or the company (although by extension, if directors are acting in the best interests of the corporation there is typically an alignment with shareholders). Management is responsible to the board for developing and implementing the agreed upon strategic plan as well the day-to-day operations of the business. In addition, decisions taken by management (and approved by the board) to allocate the capital of the corporation should generate a return in excess of the cost of that capital.

1.4 For the GIPF, good corporate governance equates to good business. We believe that a company with good governance is better positioned to make high-quality decisions that benefit the corporation and ultimately its shareholders.

1.5 Following hereunder are the voting guidelines to be adhered to in issues affecting the corporate governance of investee companies.

2. Board of Directors

2.1 General

2.1.1 The Board of Directors should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent. (NamCode Principle C2-18)

2.1.2 GIPF assesses each proposal on Board composition and responsibilities on a case-by-case basis, taking into account the circumstances of the company, its track record and overall governance framework.

2.1.3 GIPF supports the guidelines in the NamCode and the King III Code as regards Board composition, function and responsibilities, specifically:

(a) the Board is accountable for the performance and affairs of the company;

(b) it should delegate to management and Board committees, but it retains liability;

(c) a unitary Board with a mix of executive and non-executive/independent directors is appropriate to Namibia and South Africa;

(d) the broad responsibilities of the Board include:

- providing strategic direction;
- retaining full and effective control;
- complying with laws and regulations;
- defining levels of materiality;
- identifying and monitoring key risks and key performance areas;
- and having a written Board Charter or Terms of Reference.

2.1.4 GIPF supports Board structures where all the directors are capable of exercising independent judgement and decision-making and are able to act only in the best interests of the company, its shareholders and other stakeholders. A fundamental aspect of a well-balanced and well-governed Board is one where the majority of directors are independent non-executives.

2.1.5 For the purposes of evaluating whether directors are independent, the following considerations apply:

2.1.6 The director:

(a) does not represent and was not nominated by a major shareholder;

(b) has not been employed by the company or the group in any executive capacity for the preceding three financial years;

(c) 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;

(d) is not a professional advisor to the company or the group other than in the capacity as a director;

(e) 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;

(f) has no significant or material business relationship with the company or the group (other than as a director) personally or through a related party currently or within the past 3 years;

(g) is free from any business or other relationship which could be seen to materially interfere with his/her ability to act independently;

(h) does not receive remuneration from the company other than a director's fee. This could include the participation in a share option scheme, performance related scheme or is a member of the company's pension scheme.

(i) does not have cross directorships with other directors through involvement in other companies or bodies.

(j) is not a substantial shareholder of the company;

(k) does not represent any shareholder or asset management company who has the ability to control or materially influence management and/or the Board;

(l) is not otherwise associated directly or indirectly with a substantial shareholder of the company;

(m) has not served on the board for more than nine years from the date of first election. Independent non-executive directors on the board for longer than nine years should be subjected to a rigorous review of his/her independence and performance by the board. (King III Code 2.18.8; NamCode C2-18.17) and the board should include a statement in the integrated report regarding the assessment of the independence regarding the independence of non-executive directors (King III 2.18.9; NamCode C2-18.17)

(n) meets any other criteria required by applicable legislation.

2.1.7 No concentration of power should vest in the hands of a small quorum of directors.

2.1.8 One third of independent non-executive directors should rotate annually (King III 2.18.6; Namcode C2-18.14)

2.1.9 <u>*Voting guidelines:*</u>

2.1.9.1 *GIPF will vote for resolutions that support or maintain balance and diversity within Boards. The Fund will vote against or WITHHOLD VOTES from nomination of individual directors that would decrease the board's level of independence to below 50% or decrease a board's diversity.*

2.1.9.2 *GIPF will vote for proposals that support having a majority of independent directors in the board. The Fund will vote against individual directors who are deemed either through research or engagement to have lost their* *independence or who are not effective in executing their independent position.*

2.1.9.3 *GIPF will vote for proposals that support having a majority of independent directors in the board. GIPF will vote against proposals and directors that seek to concentrate power with a few individuals.*

2.1.9.4 *GIPF will consider supporting the election of a director where the term of service is beyond nine years so long as:*

(a) an independent assessment by the Board concludes that there are no relationships or circumstances likely to affect, or appearing to affect, the director's judgement;

(b) every year the independent directors undergo an evaluation of their independence by the chairperson and the Board.

2.2 Board size and changes thereto

2.2.1 The board should be of sufficient size that the balance of skills and experience is appropriate for the requirements of the business. Board size directly impacts the board's effectiveness. Board effectiveness in turn may impact shareholder value. Board size should not be too large to be cumbersome, but large enough to allow it to discharge its responsibilities.

2.2.2 Generally a board that is too large is deemed to reduce the voting power of individual directors, while one that is too small is seen to be lacking in the range of specialties and counsel.

2.2.3 However, the board's top priority should be to ensure that it has enough competent and independent members, regardless of size. Nevertheless, the size of boards should be considered on a case-by-case basis.

2.2.4 The Articles of Association determine both the minimum and in some cases the maximum number of board members, qualifications of directors (retiring ages), the procedure and rules relating to alternate directors, and the powers of the directors. The company is bound by its articles, which in turn have to adhere to the provisions of applicable companies laws.

2.2.5 *Voting Guideline:*

2.2.5.1 *GIPF will vote for proposals that fix the Board at an appropriate size given the size and complexity of the company. The Board size must lead to effective* *board decision-making and governance. The board should be large enough to provide expertise and diversity, and allow key committees to be staffed with independent directors, but small enough to encourage active participation of all members.*

2.2.5.2 *In general, we will not ordinarily vote against director candidates simply because the size of the board is questionable. We may do so, however, if corporate performance or other corporate governance issues, over a suitable time frame is unsatisfactory.*

2.2.5.3 *GIPF will vote for independent non-executive directors over executive directors and other non-executive directors to ensure a majorly independent board. GIPF will consider the size of boards on a case by case basis.*

2.2.5.4 *Any alteration to a company's Articles of Association to change board size and eligibility of directors, the GIPF will evaluate on an individual basis with reference to appropriate legislation and both international and local best practice codes.*

2.2.5.5 *The Fund will vote against proposals giving management the ability to change the size of the board.*

2.2.5.6 *The Fund will only vote for proposals to decrease the size of large boards as long as it does not affect a board's independence or introduce other corporate governance concerns.*

2.3 Nomination of Directors

2.3.1 The GIPF will consider nominating a range of independent candidates to a company's board only under exceptional circumstances, but may request the company to put forward additional independent candidates to the Nominations Committee and/or shareholder vote.

2.3.2 The GIPF requires that an abridged CV be included for each of the directors being proposed for election/re-election, along with a clear motivation on the contribution that the director being nominated will make to improving / maintaining the quality of the board.

2.3.3 The GIPF will not nominate one of its own staff members or any person directly associated with it. The Fund should have an arm's length relationship with such a candidate, so as to ensure that the candidate is deemed to be fully independent.

2.3.4 Nominations should be considered and/or requested where there is a lack of diversity and independent candidates on the board.

2.3.5 The GIPF will follow due process with regard to such a nomination, firstly by recommending the candidate to the Nominations Committee of the company concerned. Should this not be successful, the Fund should consider proposing a resolution at the annual general meeting of the company.

2.4 Election of directors

2.4.1 GIPF 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. GIPF, given the circumstances, will decide on the appropriate limit to the number of Board positions held by a particular director in order to ensure that the individual fulfils their duties to each particular company.

2.4.2 GIPF will generally not support a full-time executive director of a listed company holding more than one other non-executive directorship (excluding directorships of subsidiary companies). This is limited to an ordinary non-executive directorship and not acting as Chairperson of the company at which he/she holds the non-executive directorship.

2.4.3 Votes on non-executive director nominees are made on a case-by-case basis after examining:

(a) the composition of the Board and key Board committees;

(b) qualifications and experience of the directors;

(c) number of other directorship positions the nominee holds;

(d) suitability for participation in Board committees;

(e) attendance and participation at meetings, in the case of re-elections;

(f) the corporate governance framework of the Board;

(g) the overall demographic composition of the Board; and

(h) any other relevant factor pertaining to the nominee.

2.4.4 Performance of the company over the years since the director was previously put forward for election must be taken into consideration. Close attention needs to be paid to governance disclosure, strategic planning, stakeholder relationships and financial performance, as well as the committees that the director participated in.

2.4.5 Past attendance record of directors must be considered in electing directors. The board should meet regularly (at least once a quarter) and disclose in the annual report the number of board and committee meetings held in the year and the details of attendance of each director (as applicable)

2.5 <u>*Voting Guidelines*</u>

2.5.1 *GIPF will vote against nominations where:*

(a) *a director has attended less than 75% of Board and committee meetings unless there are good reasons for this;*

(b) *nominees have implemented or renewed any "poison pill" provisions;*

(c) *a majority of non-independent directors sit on the Audit, Remuneration or Nomination Committee.*

2.5.2 *GIPF will vote against nominations which will cause the Board to have only a minority of independent directors.*

2.5.3 *GIPF will vote for proposals that support demographic diversity on company Boards. Understanding that there may be some plausibility to statements of skills shortages, the Fund will SUPPORT board mentorship programs for directors who are inexperienced and from less represented or disadvantaged groups. In line with its Responsible Investing Program, GIPF may engage collaboratively with other shareholders to change Board diversity through nominating specific individuals on Boards.*

2.5.4 *GIPF will not support directors and Boards that have:*

(a) *enacted or sanctioned poor corporate governance practices or policies in the company or any other company; or*

(b) *failed to replace management where appropriate, including poorly performing managers.*

2.5.5 *GIPF 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.*

2.5.6 *GIPF will vote against proposals for the nomination of directors where there is insufficient information to enable shareholders to make an informed decision. Proposals for nominations of directors should include information concerning:*

(a) *experience;*

(b) *qualifications;*

(c) *other fiduciary commitments (such as other directorships, trusteeships or curatorship's);*

(d) *proposed role on the Board;*

(e) *possible conflicts of interest.*

2.5.7 *GIPF will vote against the re-election of any director who has previously failed to comply with the disclosure requirements in respect of a relevant stock exchange's listing requirements.*

2.5.8 *GIPF will vote against the re-election of directors in instances where the governance and accountability of the board or board committees of the company is in conflict with other aspects of this Policy.*

2.5.9 *Directors should be elected on a candidate-by-candidate basis rather than as a slate because the latter approach deprives shareholders of the right to withhold votes from (or vote against in some jurisdictions) nominees on an individual basis. GIPF also prefers that companies adopt a majority-vote standard for the election of directors, meaning that directors are elected by a majority of votes cast by shareholders. Where plurality voting is required by law, GIPF encourages boards to adopt director resignation policies asking that directors tender their resignations if the number of votes withheld from or cast against the nominee exceeds the votes for the nominee. However, an exception should apply in cases of contested elections, where there are more director nominees than board seats. In these cases, the plurality vote standard is more appropriate in order to avoid a situation where no candidates win a majority of the votes cast.*

2.5.10 *The Nominating/Governance Committee should establish a policy for selecting qualified candidates, proposing new nominees to the board, and assessing directors on an ongoing basis.*

2.6 Board composition

2.6.1 GIPF will generally vote in favour of Boards that are comprised of a majority of independent directors who has no direct material relationship with the company other than board membership and appropriate holdings in the corporation (the principles of independence outlined herein are applicable here). A board with a majority of independent directors is better positioned to critically evaluate management and corporate performance and to maintain the board's independence.

2.6.2 Independent directors include directors who are independent of management and are free of any interest or business relationship which could materially interfere with the director's ability to act in the best interests of the corporation, other than interests and relationships arising from being a shareholder. Directors who are not independent are less likely to hold management accountable if they depend on the corporation for fee income or other considerations.

2.6.3 GIPF will generally vote against Board structures and director nominations that will permit a concentration of power to vest in the hands of a small quorum of directors.

2.6.4 Board independence may also be impeded through "interlocking directorships" where the CEO or board members sit on each other's boards. GIPF prefers that the company discloses the identity of each corporation where an interlocking relationship exists for each member of the board and/or the CEO.

2.6.5 GIPF will generally vote for Board committees that reflect a level of diversity in terms of skills, race and gender in a given jurisdiction.

2.7 Capability & Performance

2.7.1 The contribution of each board member and the effectiveness of the board as a whole is taken into consideration when evaluating directors or boards. The Fund through its engagement program will encourage companies to implement a formal and rigorous annual evaluation of the performance of the board, its committees and individual directors by external independent evaluators.

2.7.2 The board should be balanced in terms of skills, experience and age as appropriate.

2.7.3 New members of the board should have a comprehensive induction program and should be mentored by more experienced members of the board.

2.7.4 Board members should have enough time to discharge their responsibilities. A list of all of their commitments should be disclosed in the annual report (this has a dual function in terms of providing shareholders with an understanding of whether they have the time to devote to their duties and also how independent they are).

2.7.5 Committee membership should be continuously refreshed.

2.7.6 Directors should attend all directors meetings, including the annual general meeting.

2.7.7 *Voting Guideline: GIPF will vote against individual directors if any of the items are not applied. When directors are put for re-election GIPF will consider how they have applied themselves as directors during their past tenure.*

2.8 Initiatives to improve board functioning

2.8.1 Such resolutions include obtaining permission for directors meetings to be conducted by using conference telephone facilities and/or conference video facilities, and for resolutions from such meetings to be valid.

2.8.2 *Voting Guideline: The GIPF will vote for such resolutions, given that board meetings should be held more frequently, and such initiatives can be used to improve non-executive director participation. It should, however, be recorded on the director attendance records whether they attended the meeting in person or by teleconference or videoconference. Meetings by teleconference or videoconference should only be held, however, in exceptional circumstances. Repeated non-physical presence at board meetings even where such facilities are available is not considered to be acceptable.*

2.9 Board committees

2.9.1 GIPF supports fully independent board committees. We may withhold votes from those non- independent directors who are also members or proposed members of the Audit, Remuneration or Nominating/Corporate Governance Committees, taking into consideration corporate performance and governance practices over a suitable timeframe.

2.9.2 GIPF believes that strong, fully independent Audit, Remuneration, and Nominating/Corporate Governance Committees are essential to building sound corporate governance practices and to enhancing long-term shareholder value.

2.9.3 GIPF supports the following principles regarding board committees:

(a) Appointments to committees should not be made by the CEO;

(b) Each committee should have a written charter that specifies its roles and responsibilities and the charter should be publicly disclosed;

(c) Independence of the Audit Committee, regular number of meetings, appropriate skills of members and meeting attendance;

(d) Independence of the Remuneration or Compensation Committee;

(e) Independence of the nominations committee and succession planning;

(f) The company should disclose which committee has the responsibility for risk management if there is no specific Risk Management Committee;

(g) The company should provide a comprehensive report in its corporate governance statement on the function of each committee and the guidelines that are followed with respect to these functions;

(h) The board committees terms of reference should be reviewed yearly;

(i) Succession at board and CEO levels should be managed by a committee such as the Nominating/Corporate Governance Committee; and

(j) Committees should have the right to retain the services of independent advisors, and are encouraged to disclose the identity of these advisors and the nature of the services performed. Moreover, fees incurred in utilizing the services of independent advisors must be made explicit in directors' reporting.

2.9.4 *Voting guidelines:*

(a) GIPF will vote against nominations of non-independent, non-executive directors to be members or chairpersons of the Audit, Remuneration and Nominations committees. In addition, the Fund will vote against the nomination of alternate directors and the Chairperson of the Board to serve on the Audit Committee.

(b) GIPF will vote for proposals that support the creation and maintenance of key independent board committees. The Fund will vote against any proposals that do not support the above considerations.

2.10 Role of Chief Executive Officer and Chairperson

2.10.1 A separation between management and the board of a corporation is essential for effective board oversight of management. The board is responsible for recruiting, rewarding and, if necessary, terminating the CEO. These responsibilities put a combined Chair/CEO in a difficult position when heading the body that is responsible for overseeing management.

2.10.2 In cases where industry practice is to have the two roles combined, an independent director should be appointed as Lead Director and be sufficiently empowered so as to counterbalance the influence of the joint position. The role of the Lead Director is to be the principal spokesperson for the independent directors and the leading advocate for the interests of non-management shareholders. This role is especially important in instances where the interests of management and non- management shareholders differ significantly.

2.10.3 GIPF applies its policy flexibly under certain circumstances such as in the case of new, small or recently reorganized companies. However, we would expect these companies to evolve and enhance the governance practices of the corporation over time as the corporation and its resources grow.

2.10.4 *Voting Guidelines:*

(a) *Recognising the importance of a separation of roles between the Board Chairperson and the CEO, the GIPF will vote against proposals where the roles of the two are combined.*

(b) *The GIPF will vote for/support the identification of a lead director who is independent in cases where the Chairman is not independent. The lead director should attend shareholders meetings and make him/herself accessible to shareholders. In addition to serving as the presiding director at meetings of the board's independent directors, a lead director is responsible for coordinating the activities of the independent directors.*

(c) *GIPF will vote for resolutions that support the election of an independent non-executive Chairperson so that the Board represents the interests of shareholders, not management. Reasons for non-separation of these positions should be carefully examined and this decision should be justified each year in the annual report.*

(d) *GIPF will actively monitor the independence of the Chairperson and will vote against Chairpersons that are not effective or overpowered by management.*

(e) *GIPF will generally vote against a proposal that the CEO moves into the position of Chairperson following his/her retirement. In the instance where a*

CEO could move into the position of Chairman it is expected that a Lead Independent Director will be appointed.

2.11 Board responsibilities, function and performance

2.11.1 GIPF supports companies where the Boards have a formalised and systematic process of assessing and evaluating the performance of the Board, its committees and of individual directors.

2.11.2 GIPF encourages the adoption of an annual self-assessment process for the entire board of directors as well as its committees. GIPF encourages these assessments to be disclosed, as well as attendance records and the number of other boards on which each director is active. This allows shareholders to assess for themselves the commitment of each board member.

2.11.3 The responsibilities and levels of performance by Board members must be disclosed to shareholders ahead of annual general meetings. Disclosure must be done in accordance with applicable listings requirements, the International Integrated Reporting Framework and other applicable reporting standards. Without such disclosure, GIPF will vote against director elections where such disclosures do not occur or where the assessment framework is considered inadequate.

2.11.4 *Voting Guidelines:*

(a) GIPF will vote in favour of proposals to structure Board committees with specific terms of reference and identified responsibilities.

(b) GIPF will vote against director elections where there is inadequate disclosure of responsibilities and levels of performance by Board members or where the assessment framework for the Board and its committees is considered inadequate.

2.12 Cumulative Voting

2.12.1 Cumulative voting entitles shareholders to as many votes as the number of shares they own multiplied by the number of directors to be elected. Cumulative voting permits board representation to shareholders who have minority ownership, ensuring an independent voice at the boardroom table. However, this also allows for the possibility that a minority of shareholders could unduly influence the corporation.

2.12.2 *Voting Guideline: GIPF will review cumulative voting resolutions on a case-by- case basis. In cases where the board is unresponsive to shareholder concerns, GIPF will* *generally support cumulative voting resolutions. GIPF will not support cumulative voting resolutions where the resolution appears to favour a special interest group rather than the welfare of all shareholders.*

2.13 Directors and officer indemnification and liability protection

2.13.1 In Namibia by virtue of sec 255 of the Namibian Companies Act any provision, whether contained in the articles of a company or in any contract with a company, and whether expressed or implied, which purports to exempt any director or officer or the auditor of the company from any liability which by law would otherwise attach to him or her in respect of any negligence, default, breach of duty or breach of trust of which he or she may be guilty in relation to the company or to indemnify him or her against that liability, is void.

2.13.2 In other jurisdiction where indemnification of directors by companies is permitted, clauses have arisen in company articles that commit company funds to indemnify any person employed by the company and its auditors against liabilities incurred when defending any proceedings against him/her that he/she successfully defends in a court of law. Furthermore, company employees and officers are indemnified against action that they take on behalf of the company that may result in loss or damage, which has not been caused through negligence or dishonesty.

2.13.3 This is a complex area, as most people would be reluctant to accept a position with a company should they attract such liabilities. Director fees would also be very high if they had to pay their own indemnity insurance.

2.13.4 *Voting Guidelines in jurisdictions where company indemnification of directors are permitted:*

(a) GIPF will vote against proposals to entirely eliminate directors' and officers' liability for damages for violating a duty of care or a legal duty.

(b) GIPF will generally vote against proposals that extend indemnification for directors for acts such as gross negligence, fraud and breaches of fiduciary duties.

(c) GIPF supports proposals that limit directors' liability and provide indemnification provided that directors have acted honestly and in good faith with a view to the best interests of the company. Limitations on directors' liability can benefit the corporation and its shareholders by facilitating the attraction and retention of qualified directors while affording recourse to shareholders in areas of misconduct by directors. Consequently, in order to

encourage the nomination of able directors, GIPF believes that an appropriate indemnification policy is warranted. However, these policies should be limited to the director acting honestly and in good faith with a view to the best interests of the corporation and limited to the director having reasonable grounds for believing the conduct was lawful.

2.14 Quorum Requirements

2.14.1 Quorum requirements refer to the minimum number of shares and/or persons required to be present, in person or by proxy, so that business can be carried out at a meeting. Quorum requirements should be set at a reasonable level so that there is a sufficiently broad indication of shareholders' approval for the business conducted at the meeting. However, GIPF acknowledges that in certain cases a company may have difficulty achieving a quorum. Accordingly, GIPF will review these proposals on a case-by-case basis.

2.14.2 *Voting Guidelines:*

(a) GIPF will review proposals to change quorum requirements on a case-by-case basis.

(b) GIPF generally will not support reductions of quorum requirements below 25%.

2.15 Amendment of clauses relating to the borrowing powers of directors

2.15.1 The Namibian and South African Companies Acts in their respective Schedule 1 suggests that the borrowing powers of directors should not exceed one half of the issued share capital plus share premium without prior approval from shareholders. In the older sets of Articles, this restriction has remained. In the newer articles, companies bind their subsidiaries to certain restriction, which is regarded as prudent. However, no restrictions tend to be applied to the listed entity. Clearly, there needs to be a balance between the board's ability to raise debt for expansion and the board putting the company at risk through getting into a situation where the company cannot repay its debts.

2.15.2 Nevertheless, GIPF accepts that a company may be required to finance its commercial endeavours via debt financing, and that its memorandum of incorporation may place a restriction on the borrowing powers of directors in order to ensure that such financing is achieved in a prudent manner.

2.15.3 <u>*Voting Guideline*</u>: *Resolutions that seek to alter the provisions of the articles relating to the borrowing powers of directors should be treated with caution, and GIPF will assess these on a case-by-case basis. In each case where a proposal is made to amend a company's memorandum of incorporation (or equivalent founding document) with regard to the borrowing powers of directors, GIPF 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. Considerations will include the company's current debt level, its ability to service debt and an assessment on the strategies that management proposes to shareholders.*

3. Auditing and non-auditing services

3.1 Auditing is a fundamental element of accountability to shareholders. The audit process must be objective, rigorous and independent to maintain the confidence of the market.

3.2 GIPF will insist that external auditors should maintain their independence.

3.3 The Board should have an audit committee that is responsible for oversight of the annual external audit of the company.

3.4 The Audit Committee should have primary responsibility for making a recommendation on the appointment, reappointment and removal of the external auditors of the company. If the Board does not accept the audit committee's recommendation, it should include this in the annual report and in any papers recommending appointment or reappointment, issue a statement from the audit committee explaining the recommendation, and set out reasons why the Board has taken a different position.

3.5 The Chairperson of the Audit Committee should be an independent non-executive director. The majority of the members of the committee should have financial experience. The head of the audit committee should also be available to answer questions at the AGM on the scope of the audit and on issues relating to the audit definitions and the scope of the audit.

3.6 In accordance with section 278 of the Namibian Companies Act and sec 91 of the South African Companies Act, a company must, at every annual general meeting, appoint an auditor or auditors to hold office from the conclusion of that meeting until the conclusion of the next annual general meeting of the company.

3.7 The right of shareholders to appoint the auditors is indicative of the fact that the auditors are appointed by the shareholders to provide them with external opinion with respect to the financial performance and affairs of the company.

3.8 *Voting Guidelines: GIPF will take the following matters into consideration when voting on Auditor re-appointments:*

(a) *The independence of the Audit Committee, and the disclosure with respect to its functions. GIPF will vote for proposals that support the creation and maintenance of an independent audit committee;*

(b) *Competence and capacity of the audit firm to carry out a proper audit given the nature and extent of the work to be performed (e.g. whether a small regional audit firm has the capacity to audit a large nationwide company);*

(c) *GIPF will support the rotation of the audit partner and audit firm on a five-year and six-to-ten year basis in South African listed firms, and a three-year basis for Namibian listed entities.*

(d) *A company's Audit Committee should set a code of principles regarding the conditions under which the external audit firm will provide non-audit services. We generally will not support the ratification of auditors when non-audit fees are greater than audit-related fees.*

(e) *There should be separate disclosure in a company's annual financial statements of the amount paid to the external auditors for non-audit related services as opposed to audit services.*

3.9 Proposal to change Auditors

3.9.1 Reasons need to be provided when there is a proposal to change a company's auditors. This is particularly pertinent where auditors have resigned. If this is the case, a copy of the written notification of no material irregularity having taken place as required by the Namibian Companies Act or any other applicable companies law, should be made available for shareholder inspection.

3.9.2 Where the company aims to dismiss its auditors in terms of section 286 of the Namibian Companies Act or any other applicable companies law, public notice should be given, and there must be endeavors to ensure that the auditor is given the opportunity to make representations to shareholders, prior to the resolution being voted on.

3.9.3 While changes of the company's auditors are not always negative, a clear explanation needs to be provided by the head of the Audit Committee.

3.9.4 _Voting Guidelines_:

(a) *The GIPF favors the rotation of audit partners over the rotation of auditors, and would favor greater disclosure by auditors in the audit report that is presented to shareholders. Instances where auditors have been replaced require substantive explanations, particularly where the audit fee will make up a substantial portion of the audit firm's total revenues, as this may be deemed to compromise the auditors' independence.*

(b) *With regards to any issues that may have compromised the audit firm's independence and objectivity with respect to the company over the past year, particularly where the auditors performed an "independent" valuation for the company during the year, or where any other non-audit work may have impacted on the independence of the auditor, GIPF supports the full disclosure of any contract that may have impacted on the auditor's independence in all of the Auditors" Report, the Directors' Report and the report of the Audit Committee.*

(c) *Any issues highlighted during the current year that could call into question the appropriateness of prior audit opinions (e.g. restatement of prior year results due to audit errors) should be considered when conducting the vote.*

3.10 **Remuneration of Auditors**

3.10.1 Shareholders' approval on the remuneration of auditors is a symbolic resolution intended to convey to shareholders that they employ the auditor, as the ratification of their appointment would imply. In effect, the remuneration of the auditor is determined by agreement between the auditor and the directors acting on behalf of the company. Thus, the remuneration of auditors may not be a separate resolution at the AGM. If presented to shareholder vote, a significant message can be sent to the company, and appropriate questions can be raised with respect to the size and components of the audit fee, and the procedure surrounding defining the scope of the audit.

3.10.2 _Voting Guideline_: *GIPF will take the following matters into consideration in this respect:*

(a) *Remuneration relative to prior year and other benchmarks (e.g. competitors, similar audits, inflation);*

(b) *The level of disclosure required for non-audit work performed by the company's auditors.*

(c) *All non-audit work performed and whether this charge is reasonable given its nature and extent.*

(d) *Whether the Audit Committee has issued a statement with respect to the scope and extent of non-audit work performed by the auditor, with an undertaking that measures were taken to ensure that conflicts of interest did not occur.*

(e) *Any issues highlighted during the current year that could call into question the appropriateness of prior audit opinions (e.g. restatement of prior year results due to errors).*

3.11 **Internal Audit**

3.11.1 The Board should ensure that there is an effective risk based internal audit function which is governed by an internal audit charter approved by the board, and which adheres to the IIA Standards and Codes of Ethics. King III has highlighted the need and role of having and independent internal audit function. Establishing an internal audit function that is independent from management is not crucial.

3.11.2 Internal audit should:

(a) Report functionally to the audit committee and to report at all audit committee meetings;

(b) Evaluate the companies governance process;

(c) Objectively assess the effectiveness of risk management and the internal audit framework;

(d) Have an internal audit plan that is informed by strategy and risks Be independent from management and be objective;

(e) Provide a written assessment on the effectiveness of the company's system of internal controls and risk management to the board;

(f) Provide a written assessment of the internal financial controls to the audit committee Should follow a risk based approach to its plan.

3.11.3 Internal audit should be able to attend all executive committee meetings and should develop a quality assurance and improvement program.

3.11.4 Should be overseen by the audit committee.

3.11.5 *<u>Voting Guideline</u>: GIPF will vote for proposals that facilitate or support the function and independence of internal auditors.*

3.12 **Indemnification of Auditors**

3.12.1 In Namibia by virtue of sec 255 of the Namibian Companies Act any provision, whether contained in the articles of a company or in any contract with a company, and whether expressed or implied, which purports to exempt any director or officer or the auditor of the company from any liability which by law would otherwise attach to him or her in respect of any negligence, default, breach of duty or breach of trust of which he or she may be guilty in relation to the company or to indemnify him or her against that liability, is void.

3.12.2 In other jurisdictions, companies and their auditors may enter into an indemnity agreement, protecting the auditors from liability. The role of the auditor is to remain objective and provide independent professional oversight; an indemnity agreement would pose a conflict of interest.

3.12.3 *<u>Voting Guideline</u>: GIPF will Vote Against proposals to indemnify a company's auditors.*

3.13 **Audit Committee**

3.13.1 The Board should establish an Audit Committee of at least three members all of whom should be independent directors. The Board should satisfy itself that most members of the Audit Committee have recent and relevant financial experience.

3.13.2 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.

3.13.3 The Audit Committee should have written Terms of Reference dealing adequately with its membership, authority, duties, roles and responsibilities and legislated requirements.

3.13.4 The Chairperson of the Audit Committee should not be the chairperson of the investee company's Board. The Committee Chairperson should be knowledgeable about the status and requirements of the role, and must have the requisite business, financial and leadership skills.

3.13.5 The membership and appointment process of the Audit Committee should be disclosed in a company's annual report, and must indicate whether or not the Committee has complied with its Terms of Reference and the manner in which it did so, and shareholders should be able to obtain a copy of the current Terms of Reference of a company's audit committee.

3.13.6 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.

3.13.7 The Audit Committee's objective should be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

3.13.8 *Voting Guideline: GIPF will vote for proposals to create Audit Committees in which all of the members are independent and suitably qualified and experienced and will not support individual directors who do not meet these attributes.*

3.14 **Integrated reporting**

3.14.1 The Board of an investee 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.

3.14.2 In terms of the NamCode and the King III Report, which must be read as having been incorporated in this Policy, companies must be focused on integrated sustainability performance and should report both sustainability and financial issues in an integrated report presented in one document to enable stakeholders to make a more informed assessment of the economic value of a company.

3.14.3 GIPF endorses the presentation of an integrated annual report by investee companies in accordance with the International Framework for Integrated Reporting published by the International Integrated Reporting Council consequently endorsed by the King III report and the NamCode to enable stakeholders to form a holistic view of the company.

3.14.4 The integrated report must have sufficient information to record how the company impacted both positively and negatively on the economic life of the community in which it operated during the review period, often categorized as the triple bottom line of environmental, social and governance issues (ESG). The integrated report should also indicate how the Board proposes to improve the positive aspects and ameliorate or eradicate the negative issues in the ensuing period. (NamCode- p14)

3.14.5 A company's integrated annual report must contain a statement from the Board outlining their responsibility for preparing the accounts and a statement from the company's auditors their reporting responsibilities.

3.14.6 Where non-financial aspects of reporting have been subjected to external valuation or review, this fact must be stated and details provided in the company's annual report.

3.14.7 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 dissimilated to all stakeholders simultaneously, where possible. All annual reports and/or integrated reports and other stakeholder reports must be made available via the company's website to shareholders and all other interested stakeholders.

3.14.8 A company's Audit Committee should determine whether or not a company's interim results should be audited.

3.14.9 GIPF will vote for proposals to approve financial or directors' reports only if the reports are available to all shareholders before the shareholders' meeting.

3.14.10 GIPF 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, GIPF 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.

3.14.11 Should GIPF 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.

4. Director Remuneration

4.1 General

4.2 Similar to South Africa, Namibia has not as yet introduced legislation similar to that of the United Kingdom that requires companies to submit remuneration policies to shareholder vote. Nevertheless, in terms of the NamCode (par C2-27) a company's remuneration policy should be tabled to shareholders for a non-binding advisory vote at the company's AGM. Shareholders in South Africa and Namibia thus do not have any direct rights to use their vote to stop executive pay abuse.

4.3 Shareholders however, may bring pressure to bear on boards indicating either that there has been poor disclosure, or that there is a clear misalignment of interests between executives and shareholders, indicating that the Remuneration or Compensation Committee has not been fulfilling its responsibilities.

4.4 Furthermore, shareholders have rights to vote on the introduction and amendment of share option schemes, and other share-based payment schemes. Moreover, they have to grant approval for the allocation of shares to such schemes, or alternatively, they would have to approve share buy-backs, which are used to increase treasury stock, which in turn have been used to issue shares to scheme beneficiaries.

4.5 Disclosure on remuneration for South African companies is determined by the JSE Listings Requirements and the South African Companies Act in the case of companies listed or incorporated in South Africa. Disclosure on remuneration for Namibian companies is determined by the NSX Listings Requirements, of which the NamCode forms part (requiring that the remuneration policy of companies listed on the NSX should be put to an advisory vote) and the Namibian Companies Act. NSX and JSE listed companies with a primary listing in the United Kingdom have to present their Remuneration Report for a binding shareholder vote.

4.6 Shareholders may embark on five different voting strategies:

4.6.1 Voting where there is a lack of transparency and/or appropriate institutional structure for the determination of directors' fees (fees for acting as directors, as opposed to remuneration granted in terms of an employment contract).

4.6.2 Voting on directors' and committee fees that are proposed to shareholders.

4.6.3 Voting on remuneration reports for companies that are required to submit them for a shareholder advisory vote.

4.6.4 Strategic voting in the case of executive remuneration issues, which may relate to misalignment with shareholders, poorly designed and implemented option schemes, lack of independence of the remuneration committee, and generally poor disclosure.

4.6.5 Voting on the introduction of, and the amendment of option or other share based payment schemes

4.7 Levels of remuneration should be sufficient to attract, retain and motivate executives of the quality required by the board (NamCode 2-25.12) and King III Code 2.5.1). Given that remuneration has implications for corporate performance and shareholder returns, this is an area in which shareholders have a valid role to play in approving remuneration policies that have been set by formal and independent procedures.

4.8 Executive remuneration must enjoy independent and objective oversight. Consequently, GIPF expects the Board of an investee company to maintain a Remuneration Committee appointed by the Board that is responsible for the direction and oversight of the company's executive remuneration programme and for regularly evaluating the performance of senior management. In order to be effective and avoid conflicts of interest, the Remuneration Committee must be made up entirely of independent directors.

4.8.1 Executives may attend meetings of the Remuneration Committee on invitation, but must recuse themselves when their remuneration is under consideration. Contrary proposals from issuers will not be supported.

4.8.2 The majority of executive remuneration should be "at risk" and be linked to both business targets as a whole, and the performance targets of the executive concerned.

4.9 <u>*Voting Guideline:*</u>

4.9.1 *The GIPF will encourage share owner advisory approval for remuneration schemes prior to them being implemented. As this is not a requirement in South Africa, it might be difficult to persuade companies that they should take this step to improve their accountability to their shareholders. In Namibia it might be easier due to the NamCode.*

4.9.2 *Remuneration of executive directors and senior management should be guided by a remuneration policy which should be tabled for a non-binding shareholder vote on an annual basis.*

4.10 **Disclosure**

4.10.1 Remuneration paid to each executive director and non-executive director must be fully disclosed. Such disclosure should include details of base pay, bonuses, share-based payments, granting of options or rights, restraint payments and all other benefits (NamCode C2-26)

4.10.2 Disclosure of the maximum and expected potential dilution that may result from incentive awards granted in the current year is also required. In addition, this information must also be disclosed for the three most highly-paid employees who are not directors in the company.

4.10.3 The GIPF requires clear and transparent performance data on the key performance indicators that management was required to achieve in order to qualify for any incentive bonuses.

4.10.4 Where a company releases an executive director to serve as a non-executive director in another company, the remuneration report (or such other disclosure to shareholders where a report is not produced) must state whether the director is permitted to retain any remuneration.

4.10.5 Business performance objectives must be benchmarked against industry and appropriate competitor performance, as well as fixed or absolute targets; the reasons for setting such targets should be disclosed to shareholders.

4.11 Voting on directors' and committee fees that are proposed to shareholders.

4.11.1 Given that there is a greater acknowledgement of the governance and legal responsibilities associated with being a director, director remuneration has had to be adjusted to reflect the time and commitment required to meet these responsibilities in an effective manner.

4.11.2 Voting Guideline: *The GIPF supports non-executive directors' fees reflecting this.*

4.11.3 Fees for non-executive directors should be proposed to shareholders for their approval on an annual basis. The remuneration report, or explanations for the resolutions provided in the notice of the meeting should clearly indicate the quantum of fees proposed for the Chairperson, the Deputy Chairperson, the Chairperson of Board Committees, members of the Committees and Directors. The remuneration should be in line with the size of the company and its performance.

4.11.4 Voting Guideline: *GIPF supports committee attendance fees, over and above committee and board membership fees. Such fees will be evaluated against the directors' attendance register.*

4.12 Remuneration and Share Options Participation: Non-executive directors

4.12.1 Non-executive director remuneration should be sufficient and appropriate to incentivise and retain excellence on the Boards of the companies in which GIPF is invested.

Remuneration should be structured to ensure the creation of value for the company and shareholders over the long term. While it is difficult to define set remuneration parameters, GIPF will encourage use of comparative peer analysis to gauge the appropriateness of remuneration packages.

4.12.2 Non-executive remuneration must be market related and commensurate to the types of committees the non-executive director serves on.

4.12.3 GIPF will support non-executive directors being paid a combination of the retainer and an attendance fee.

4.12.4 Non-executive remuneration should be merit based, determined by the issuer according to performance standards. Each director should therefore receive an appropriate rate that may be different from other non-executive directors, depending on the role performed by the non-executive director. Remuneration should be directly linked to the time, commitment and expertise of the non-executive director. GIPF will not typically enquire into the reasonability of the performance standards or the reasons for the differentials but will require confirmation regarding measurements that are defined and objectively based.

4.12.5 In general, non-executive directors should not be participants of share option schemes as it may impact on their independence. However, under certain circumstances non-executive directors are participants in such schemes.

4.12.6 <u>*Voting Guideline*</u>*: Where non-executive directors participate in share option schemes, GIPF requires the following:*

(a) *Shareholder approval for the option awards should be sought in advance.*

(b) *The rules should be amended to ensure that participating directors are obliged to hold onto shares granted in terms of the scheme for a period of one year after they cease to be a director.*

(c) *No options should be issued at a discount, and the terms of the option scheme should be clearly disclosed. Attention should be given to the fact that such option schemes should be aligned with board performance indicators, rather than the performance indicators and terms applied under option schemes relating to employees of the company.*

(d) *A clear motivation should be provided as to why the issue of share options to non-executive directors is necessary and in the interests of shareholders.*

(e) *The process surrounding the award of options should be clearly described.*

(f) *None of the directors concerned should be a trustee of the option scheme prior to the granting of the options.*

(g) *The GIPF will vote against option schemes that are not specific in this regard, and will vote against any resolutions regarding payment to directors if these conditions are not met, and options are granted to non-executive directors.*

(h) *Fees for other services should be clearly disclosed. Furthermore, such fees should be disclosed and explained in the Directors" report and under the note in the financial statements dealing with related party transactions, even if it is less than the disclosure levels required by either Namibian or South African GAAP or the JSE or NSX Listings Requirements.*

(i) *GIPF will assess fees for other services rendered by non-executive directors on a case-by-case basis. GIPF will be on guard for independent directors rendering other services and the size of their fees for such service.*

4.13 Long-term performance incentives and equity compensation schemes: Executive directors

4.13.1 Long-term schemes are central to the alignment of management interests not only with that of shareholders but with other stakeholder groups too. They play an essential role in encouraging management to take actions that will ensure that shareholder value (in its broadest sense) is improved over the long-term.

4.13.2 The mechanism most frequently used to create this alignment is to provide some mechanism for deferred ownership of shares. The notion that this does not have a cost has been dispelled by the implementation of IFRS 2 (expensing of share-based payments) from January 2005. As a result of this, and high levels of coverage in the media relating to excessive executive payments through large option allocations, this will be subject to increasing levels of public and shareholder scrutiny.

4.13.3 The following guiding principles apply in the various aspects of equity compensation.

(a) <u>Board Discretion:</u> GIPF will not support plans that give the board broad discretion in setting the terms and conditions of programs. Shareholder approval should be required when equity-based plans are instituted and when corporations seek to amend an existing plan's material terms and conditions, including eligible participants, dilution, price, or expiry terms.

(b) *Cost:* GIPF will support plans whose costs are reasonable in the context of compensation as a whole and relative to its peers.

(c) *Change of Control:* GIPF generally will support stock option plans with change of control provisions if the provisions do not allow option holders to receive more for their options than shareholders would receive for their shares. GIPF will not support plans with change of control provisions if the provisions allow all equity compensation to automatically vest upon a change of control. We will not support change of control provisions developed in the midst of a takeover fight that appear designed specifically to entrench management. We will not support severance arrangements or "golden parachutes" given to departing executives that are excessive or that are triggered solely by a change of control. Exit provisions must be monitored to ensure the absence of provisions such as "poison pills". Payment of reasonable severance compensation may be justified when job loss or significant demotion occurs, but these payments should be triggered only when both a change of control and termination of employment or demotion occurs.

(d) Specifically, there should be no waiver of financial performance targets 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-term and long-term incentives may, however, be paid on a *pro rata* basis.

(e) *Concentration:* GIPF will not support plans that authorize the allocation of 20% or more of the available equity incentives in any given year to a single individual.

(f) *Dilution:* GIPF will generally support equity incentive plans if total potential dilution does not exceed 10%, and grants of options or the so-called "burn rate" is less than 2% per annum. We will review, on a case-by-case basis, equity incentive plans that provide for total potential dilution exceeding 10%, or where the "burn rate" exceeds 2% on an annual basis.

(g) *Employee Loans:* GIPF will not support the corporation making loans to employees to allow employees to pay for equity compensation. Executives seeking to borrow to buy equities under equity compensation plans should be required to obtain credit from more conventional sources at market rates.

(h) *Employee Share Purchase Plans:* GIPF will support employee share purchase plans as a means of aligning employee interests with those of shareholders. We will generally approve employee share purchase plans where the purchase price is at least 80% of fair market value and the total potential dilution is less than 10%.

(i) *Fixed Number of Shares:* GIPF generally will not support plans that do not express as a fixed number the maximum number of shares that can be subject to options or other forms of equity compensation.

(j) *Expiry:* GIPF generally will support plans whose equity incentives have a life of less than five years. We will review on a case-by-case basis those plans whose equity incentives have a life of more than five years. GIPF will not support "evergreen" or "reload" option plans.

(k) *Omnibus Plans:* Omnibus plans generally refer to equity plans in which several equity awards may be granted under one plan. GIPF is opposed to the form of omnibus plans as it believes shareholders should be able to vote on each aspect of a plan, rather than be forced to consider a "take-all" approach. Accordingly, GIPF prefers that corporations establish separate plans for each award that can be considered and voted on separately. However, when considering an omnibus plan, GIPF will generally assess all aspects of the plan and make a determination as to whether the plan meets our voting guidelines. Where any one aspect does not meet our voting guidelines we generally will not support the entire omnibus plan. In certain circumstances, where an omnibus plan, when viewed as a whole, appears to meet our voting guidelines, we may exercise discretion to support the plan.

(l) *Price:* GIPF generally will not support plans whose underlying securities are to be issued at a value that is less than 100% of the current market value at the date of the grant. GIPF will generally not support share grants priced at a discount to net asset value per share, unless the market value is less than the net asset value.

(m) *Re-pricing:* GIPF will not support plans that allow the board of directors to lower the exercise price of equity incentives already granted. We will not support proposals that would, directly or indirectly, reduce the exercise price of incentives already granted. GIPF will generally not support re-pricing or "surrender and re-grant" of underwater equity compensation plans.

(n) *Vesting:* GIPF will support plans that have reasonable vesting periods. We will support plans that link the granting of equity incentives, or the vesting of equity incentives previously granted, to specific performance targets. We generally will not support plans that are 100% vested when granted. GIPF will not support equity compensation plans where the vesting periods are less than three years and the directors have unrestricted discretion as regards shortening 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, the issuing company must confirm this in writing.

4.13.4 GIPF will only support equity compensation proposals where the quantum, strike price, time of issue, and assumptions regarding valuation of options and grants have been disclosed.

4.13.5 GIPF discourages the use of derivative instruments by option participants prior to end of the vesting period.

4.13.6 In general GIPF will assess all equity compensation plans on a case-by-case basis. GIPF will review the features of each plan together with the other aspects of total compensation, and after considering each of the issues, determine whether the plan on the whole is reasonable.

4.13.7 GIPF supports transparent, reasonable and appropriately structured equity compensation plans that reward superior performance over the long-term. Executives should be encouraged to build equity in the corporation to align their interests with those of shareholders.

4.13.8 When reviewing equity compensation plans, we consider the following principles:

(a) Compensation plans should properly measure and reward performance;

(b) Performance should be based on measurable risk adjusted criteria, and be structured to account for the time horizon of risk;

(c) Corporations should promote transparency and accountability in the process of setting compensation; and

(d) Boards are expected to show moderation in their compensation practices.

(e) In particular, without detracting from the general duties of the Board of an investee company, annual long-term incentive awards must be carefully scrutinized to ensure that such awards are closely commensurate with an individual's performance rating for the year just completed and the investee company overall performance especially its stock price performance.

4.13.9 *Voting Guidelines:*

4.13.9.1 *GIPF will consider the following issues when voting:*

(a) *GIPF should vote against any remuneration reports where options have been issued at a discount to the market price.*

(b) *GIPF should, vote against any remuneration report that does not disclose, in full, the number of options issued, the options" lifespan, the exercise price, and time of issue for each executive director who is the participant of a long-term incentive scheme.*

(c) *GIPF should vote against remuneration reports where the assumptions used to ascertain the fair value of the option for the purpose of expensing have not been clearly disclosed. This would include expected volatility, expected dividends, risk-free interest rate and any other assumptions that may be relevant to early adoption.*

(d) *GIPF should vote against remuneration schemes that have vesting periods of less than three years and expiry dates of more than 5 years, subject to paragraph 4.13.3 (j) above, making provision that the Fund will review on a case-by-case basis those plans whose equity incentives have a life of more than five years.*

(e) *GIPF should vote against the re-pricing of share options.*

(f) *GIPF should consider innovative schemes proposed by the company that are not necessarily share option schemes, but that incentivize management to perform in the long-term interests of shareholders and other stakeholders. Such schemes should be clearly explained to shareholders, and the likely financial affect sand assumptions relating to these calculations should be clearly disclosed.*

(g) *GIPF encourages remuneration policies to include provisions that will assist the beneficiaries of option schemes to hold onto their shares after they have vested, and after they have satisfied tax and acquisition liabilities.*

(h) *GIPF should vote against block allocations, and favors the incremental granting of options.*

(i) *GIPF should encourage that long-term targets are aligned with long-term shareholder value creation. GIPF will vote for proposals that support this. Importantly, shareholder value extends beyond solely financial measurements, but also includes non-financial (ESG) issues, inter alia:*

(i) *environmental issues;*□
(ii) *empowerment and gender issues;*
(iii) *HIV/AIDS and other health care and safety issues (company workforce and generally);*
(iv) *social issues;*
□(v) *brand value;*
(vi) *corporate reputation and ethics.*

(j) *Long-term targets should include these issues and further incentivize and commit executives to meaningful disclosure and performance with respect to these areas.*

4.13.9.2 *GIPF endorses the Association of British Insurers (ABI) Guidelines on Remuneration that recommend "challenging performance conditions should govern the vesting of awards or the exercise of options under any form of long term share-based incentive scheme.*

4.13.9.3 *These should-*

(a) *relate to overall corporate performance;*□

(b) *be sufficiently demanding in the context of prospects for the company and prevailing economic climate in which it operates;*

(c) □*be measured relative to an appropriate defined peer group or other relevant benchmark;*

(d) □*be disclosed and transparent;*

(e) *in terms of disclosure the ABI Guidelines suggest that "schemes and individual participation limits be disclosed, including*□*Performance conditions (reasons for selecting the performance conditions and target levels)*□

(f) *consider related costs;*

(g) *consider maximum levels of awards*□*and dilution limits;*□

(h) *have regard to the overall policy for granting conditional share or option awards.*

4.13.9.4 *Option schemes placed before shareholders should incorporate all of the elements* *proposed by the ABI Guidelines.*

4.13.9.5 *Furthermore, consideration should be given to the tax implications of the proposed share option scheme where motivated and fully explained. This is frequently cited as being reason for the complexity of schemes being placed before shareholders. Tax regimes are subject to periodic review, and while the GIPF does not oppose tax efficient schemes, tax efficiency should not distract the intention of the scheme to align management interests with those of shareholders.*

4.13.9.6 *Should the company be adopting a new scheme, or making substantive changes to the current scheme, a scheme highlighting changes relative to the original scheme should be made available to all shareholders prior to the meeting, either on request or via the Company's website.*

4.13.9.7 *The GIPF will vote against schemes that indulge in excessive legal obfuscation.*

4.13.9.8 *Matters to be considered:*

(a) *As stated, in general GIPF does not support the inclusion of non- executive directors within share option schemes, notably, non-executive directors who are members of the remuneration or compensation committee, as inclusion in such a scheme may impact on their independence.*

(b) *GIPF requires that the option scheme clearly identifies the persons who will benefit from the scheme. The Fund should vote in compliance with relevant provisions of the Listings Requirements and applicable companies' laws, against all option schemes that do not restrict the definition of participants to those involved in the business.*

(c) *GIPF will vote against any scheme where the aggregate number of securities that may be used for all of the existing schemes is in excess of 10% of the total issued share capital and 0.5% per person. The Fund should vote against any limits that are higher than 5% in any 10-year period for the total of all specific schemes reserved for top-level management.*

(d) *GIPF should vote against any scheme that enables the allocation of more than 1% of the total share capital to any individual.*

(e) *In accordance with the NSX and JSE Listings Requirements, GIPF should vote against any share scheme whose trustees are executive directors, employees of the company or service providers to the company, or any other party whose independence may be compromised. The scheme should state* *these exclusions explicitly.*

(f) *GIPF should vote against any scheme where the expiry period is beyond 10 years and vesting periods less than 3 years.*

(g) *GIPF should vote against any scheme that does not require that options allocated to any individual are automatically cancelled should that individual cease to be employed by the company (for reasons other than retrenchment, disability, retirement or death) within a period of 3 years. Should the individual leave after three years other than for reasons mentioned above, but before the next vesting date, the remaining options should be forfeited. The scheme should make provision for the recall of all loans made to such employees in terms of the option scheme.*

(h) *GIPF should vote against any scheme that does not institute provisions that incentivise employees to remain with the organization for a period of over three years.*

(i) *GIPF should vote against any scheme that does not stipulate the terms of loans made to employees.*

(j) *Given the introduction of IFRS2 in January 2005, GIPF proposes that new schemes and existing schemes present the methods that will be employed for the costing and expensing of options, and the level of disclosure which the company will commit to.*

(k) *Share option schemes should promote active employee ownership and we should oppose their use for other means (e.g. as a way to place shares to avoid a takeover).*

(l) *The clauses relating to changes in control should be carefully reviewed. GIPF should favor schemes that clearly stipulate that in the case of a change in control, a pro-rata calculation is made with respect to both the performance targets and the duration of the options at the time of the change in control.*

4.13.9.9 Where applicable, a reference to a share option scheme should be interpreted to include a reference to a share appreciation rights scheme (SAR) or a forfeiture share plan (FSP) or any other applicable equity compensation scheme.

4.14 Voting on remuneration reports required to be submitted to a shareholder advisory vote

Basic Salary Component

4.14.1 The basic salary component should be market-related in that it should take into account the basic component of remuneration being paid to people of equivalent positions in companies of similar sizes in similar sectors.

4.14.2 Remuneration committees should be encouraged to employ the services of independent consultants (not connected to any service provider to the company) to provide relevant data. Consideration should be given when determining the basic remuneration of the pay differentials between the highest paid staff member and the lowest paid staff member.

4.14.3 Remuneration surveys should be treated with care, and the size of any increase should also be seen in the context of company performance, the prevailing inflation rate, the relative market situation and the size of previous increases in basic salary.

4.14.4 The following issues should be considered:

(a) The size of the increase relative to inflation and whether an explanation for the quantum of the increase, if greater than inflation, has been provided in the remuneration report.

(b) Whether independent opinion has been used to establish the basic pay.

Pension Contributions

4.14.5 In general, pension contributions should be linked to basic remuneration. Should there be a differing structure clear explanations are required. Typically, this could relate to certain job categories where short and long- term incentives are weighted more heavily. This should be clearly explained with reference to the basic, pension, and short and long-term components of the overall package. Changes in pension terms should also be clearly disclosed and will form part of any assessment of remuneration.

4.14.6 Pension 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 superannuation 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.

Additional Benefits

4.14.7 There should be clear disclosure of all allowances given to directors. Accommodation costs, transport costs, relocation costs and any other form of non-pension benefits should be clearly disclosed in the statement of executive remuneration.

4.14.8 *Voting Guideline: GIPF will vote against remuneration reports if there is any omissions, lack of transparency and general lack of disclosure.*

4.15 **Service Contracts**

4.15.1 Notice periods should be set at periods of one year or less unless clearly motivated. Clear disclosure should be provided on the nature and extent of director contracts.

4.15.2 Service contracts of directors and senior management should be reviewed by the Chairperson of the Board on a regular basis.

4.15.3 *Voting Guidelines:*

4.15.3.1 *The GIPF will vote against remuneration reports where this is not disclosed. The Fund will also vote against executive contracts that are posed to shareholders without comprehensive information relating to the period, conditions, basis for reward, performance criteria and exit clauses.*

4.15.3.2 *Furthermore the Fund will consider the following issues:*

(a) Golden parachutes" for early termination of service or if triggered by a takeover.

(b) Executive severance pay (particularly where the company performance was poor during said executive's tenure).

(c) The length of the contract periods proposed. While it is understood those initial contract periods may need to be longer in order to attract executives, subsequent contract periods should be reduced.

(d) Initial contract periods should not exceed 3 years.

4.16 **Short-term performance incentives**

4.16.1 The GIPF is supportive of the short-term performance element of the scheme making up a substantial portion of cash based remuneration. However, the upper limits of such schemes should be capped as a percentage of basic remuneration. Clear targets should be identified. The targets presented should be graded, with the quantum of the incentive rising as the target becomes more challenging. The targets in themselves should be designed so as to align management's interests with shareholders. While it is understood that short-term performance targets can involve a range of different measurements, the Fund favors models that relate to total shareholder return and a combination of hurdle rates over short-term earnings per share (EPS) targets. The targets that the Remuneration Committee decides to be appropriate should be motivated clearly to shareholders. Furthermore, there should be a clear balance between incentives for short, medium and long-term performance.

4.16.2 Short-term incentives (cash bonuses) must be performance related, subject to the following-

(a) transaction bonuses generally will not be supported; and

(b) any material payments that may be considered *ex gratia* or a fringe benefit should be subject to shareholder approval. In the absence of shareholder approval, full disclosure must be made.

4.16.3 Voting Guideline: *GIPF will consider the following issues when voting:*

(a) The GIPF favors the establishment of upper limits for short-term incentive schemes. The Fund should consider not supporting a short-term incentive scheme where the maximum incentive is greater than 150% of basic salary, unless a clear motivation and full disclosure on the performance requirements is presented in the remuneration report.

(b) *The GIPF should not support a short-term incentive scheme where there is a high ceiling (relative to basic remuneration) and no differing levels of targets.*

(c) *The GIPF should not support a scheme where the targets are not clearly disclosed.*

(d) *The GIPF should not support schemes where the targets solely relate to EPS growth.*

(e) *The GIPF should consider supporting schemes where payment is partly made in shares, subject to the guidelines set out above.*

(f) *The GIPF should support schemes that have rolling awards associated with total shareholder return targets (or a combination of appropriate hurdle rates).*

(g) *The GIPF should vote against schemes where the targets are deemed to be undemanding.*

4.17 Strategic voting in the case of executive remuneration issues

4.17.1 Placing executive remuneration before shareholders for their approval is not required in South Africa. As stated, in Namibia, in terms of the NamCode and by extension the NSX Listing Requirements, the remuneration policy must be tabled before shareholders for a non-binding advisory vote. As stated, the Remuneration or Compensation Committee of a company decides on executive remuneration.

4.17.2 *Voting Guideline: As there is no binding vote with respect to this area in South Africa and Namibia, the GIPF will have to consider voting on other related resolutions. Broadly speaking, there would be three actions:*

(a) In cases of poor disclosure – particularly where it does not comply with the minimum standards required by the Namibian or South African Companies Act, the applicable Listings Requirements (including the NamCode) and King III, the GIPF should consider voting against the financial statements. The Fund should at all times reserve its rights to lodge complaints with relevant authorities should the disclosure not be compliant with the minimum disclosure requirements.

(b) *In cases where there has been excessive remuneration, where it is inadequately motivated and there is a clear misalignment of interests between management and shareholders, the GIPF should consider voting against one or all members of the Remuneration/Compensation Committee nominated for re-election, and/or the Chairperson or Deputy Chairperson. This action should be taken, as this situation will in all likelihood result from directors not fulfilling their responsibilities of oversight.*

(c) *In cases where there are allocations to the share option scheme that are unexplained and/or deemed excessive, the only recourse is to vote against resolutions that give the directors control over the share capital of the company. Such resolutions relate to the power to issue shares, to issue shares to the option scheme and to repurchase shares. The intention of voting against such resolutions is to effectively prevent any allocation of shares to the scheme, thereby forcing the Remuneration/Compensation Committee to re-consider the allocation, and the conditions attached to it.*

4.17.3 *These situations are determined on a case-by-case basis, and may at times require further explanation from the company.*

4.17.4 *Further to determining the GIPF vote, a number of principles have been established. □These principles correlate with many of those applied in voting on remuneration resolutions placed before shareholders. The following principles should be considered:*

4.17.4.1 ***Principles relating to disclosure***

4.17.4.1.1 There should always be full comparative disclosure of the prior year's remuneration.

4.17.4.1.2 Disclosure should be set out according to applicable Listing Requirements and should contain details on:

(a) Fees for services as a director;□

(b) Basic salary,□Bonuses and performance related payments;

(c) Expense allowances;

(d) Other material benefits;

(e) □Pension scheme contributions;

(f) Commission or gains from profit sharing arrangements;□

(g) Any share options, including their strike price and period, period when, and at what price options have been exercised and any other relevant information.

4.17.4.1.3 <u>*Voting Guidelines:*</u>

(a) The GIPF should vote against the financial statements where such disclosure is inadequate. The Fund should also retain its right to notify the JSE, NSX or relevant exchange with regard to any contraventions to the disclosure requirements stipulated in the applicable Listings Requirements.

(b) In line with international best practice, the GIPF will

assess whether disclosure is adequate on how the remuneration package has been devised with respect to:

(i) Formulation on basic pay
(ii) Short-term performance based remuneration
(iii) Long-term incentives

4.17.4.1.4 Poor disclosure on these issues makes it difficult to assess whether the Remuneration/Compensation Committee has adequately taken shareholder interests into consideration.

4.17.4.2 **Principles relating to alignment of interests**

4.17.4.2.1 In accordance with the NamCode, the King III Code and the NSX and JSE Listings Requirements, companies should establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing packages of individual directors.

4.17.4.2.2 The GIPF *will apply the voting principles* raised above when assessing whether the remuneration is aligned to shareholder interests.

4.17.4.2.3 Where there appears to be a misalignment, because of unexplained increases and bonuses during periods of poor performance, the GIPF should vote in accordance with the guideline set out hereunder.

4.17.4.2.4 *Voting Guideline: The GIPF should vote against Remuneration Committee members and the Chairperson if, in the opinion of the Fund, the remuneration structure is designed to encourage short-term behavior to the potential detriment of long-term shareholder value.*

4.17.4.3 **Principles relating to the allocation of share options**

4.17.4.3.1 The GIPF will apply the same principles raised relating to long-term performance incentives and share ownership schemes when assessing the allocation of share options.

4.17.4.3.2 *Voting Guideline: The GIPF should vote against granting directors power over the share capital of a company should the option scheme be in contradiction with the above principles.*

4.18 **Further issues relating to remuneration**

4.19 While not required in either the Namibian or South African Companies Act, or the NSX or JSE Listing Requirements, the GIPF will require companies to disclose the salaries of top management beyond what is required at present (particularly detail on the basis on which share options are granted and performance pay calculated).

4.20 In companies that are listed on the LSE (dual listed ones), the Fund will encourage that the remuneration report placed before shareholders in terms of of the UK Companies Act also stipulates policies, processes, targets and details surrounding senior management remuneration.

4.21 The level of award for short-term cash incentives, and other bonuses should be sensitive to pay and employment conditions elsewhere in the group. High executive remuneration during periods of retrenchments and significant cost cutting can have a negative impact on a company's workforce morale.

5. Corporate Governance Values

The GIPF endorses the following foundational and non-negotiable values relating to corporate governance:

5.1 Discipline

Corporate discipline is commitment by a company's senior management and Board to adhere to behaviour that is universally recognised and accepted to be correct and proper. This encompasses a company's awareness of, and commitment to, underlying principles of good governance, particularly at Board and senior management level.

5.2 Transparency

Transparency concerns the ease with which an outsider is able to make meaningful analysis of a company's actions, its economic fundamentals and the non-financial aspects pertinent to its business. This is a measure of the efficiency and effectiveness of management at making necessary information available in a candid, accurate and timely manner – not exclusively the audited financial data but also general reports and press releases regarding the affairs of the company. It reflects whether or not investors and other stakeholders can obtain a true picture of what is happening inside the company.

5.3 Independence

Independence is the extent to which mechanisms have been put in place to avoid, mitigate and manage potential conflicts of interest that may exist, such as dominance by a strong chief executive or large shareowner. These mechanisms range from the appropriate composition of the board, to appointments to committees of the board, and external parties such as the auditors. The decisions made, and internal processes established, should be objective and not allow for undue influence to be exerted by any individual or group.

5.4 Accountability

Individuals or groups in a company, who make decisions and take actions on specific issues, need to be held accountable for their decisions and actions. Mechanisms must exist and be effective to allow for accountability. These provide investors with the means to query and assess the actions of company management, the board and its committees.

5.5 Responsibility

With regard to management, responsibility pertains to behaviour that allows for corrective action and for penalising any mismanagement. Responsible management would, where and when necessary, institute any interventions required to set the company on the right path. While the board has a fiduciary duty towards the company, it must act responsively to and with responsibility towards all stakeholders of the company.

5.6 Fairness

The systems that exist within the company must be balanced taking into account all stakeholders that have an interest in the company and its future. The rights of various stakeholder groups have to be acknowledged and respected. For example, minority shareowner interests must receive equal consideration to those of the dominant shareowner(s).

5.7 Social Responsibility

A well-managed company will be aware of, and respond to, social issues placing a high priority on ethical standards. A good corporate citizen is increasingly seen as one that is non-discriminatory, non-exploitative, and responsible with regard to environmental and human rights issues. A company is likely to experience indirect economic benefits such as improved productivity and corporate reputation by taking those factors into consideration.