LISTED AND UNLISTED EQUITY PROXY VOTING POLICY DECEMBER 2015

OLD MUTUAL
INVESTMENT GROUP

CONTENTS

1.0 Introduction 3

2.0 OMIG's approach to proxy voting 3
- 2.1 Introduction 3
- 2.2 Proxy voting procedures 4
- 2.3 Approach to management engagement 5
- 2.4 Promoting and protecting shareholder rights 5
- 2.5 Conflicts of interest 5
- 2.6 Disclosure and transparency 6

3.0 Proxy voting guidelines 6
- 3.1 Introduction 6
- 3.2 Board of Directors 6
  - 3.2.1 General principles 6
  - 3.2.2 Role of Chief Executive Officer and chairperson 7
  - 3.2.3 Board composition 8
  - 3.2.4 Board committees 8
  - 3.2.5 Election of directors 8
  - 3.2.6 Board size 8
  - 3.2.7 Board responsibilities, function and performance 9
  - 3.2.8 Directors and officer indemnification and liability protection 9
- 3.3 Remuneration 9
  - 3.3.1 General principles 9
  - 3.3.2 Executive remuneration: share grants 10
  - 3.3.3 Non-executive remuneration 10
  - 3.3.4 Financial reporting 11
- 3.4 Audit Committee 11
  - 3.4.1 General principles 11
  - 3.4.2 Membership and appointment 12
  - 3.4.3 Auditing and non-auditing services 12
- 3.5 Empowerment transactions 12
  - 3.5.1 Principles for economic empowerment (EE) transactions 12
  - 3.5.2 Principles applying to EE constituents in transaction consortia 13
- 3.6 Unissued shares under the control of directors 13
  - 3.6.1 Principles applying to unissued shares under the control of directors 13
  - 3.6.2 Guidance on unissued shares under the control of directors 13
- 3.7 Shareholder matters relating to capital management 14
  - 3.7.1 Dividend policy 14
  - 3.7.2 Capitalisation issues 14
  - 3.7.3 Odd-lot offers 14
  - 3.7.4 Share splits and consolidations 14
  - 3.7.5 Reduction in capital 14
  - 3.7.6 Preferential voting rights/dual capitalisation 14
  - 3.7.7 Share repurchases 15
- 3.8 Changes to Memorandum of Incorporation 15
  - 3.8.1 Introduction of new share classes 15
  - 3.8.2 Changes in Board composition 15
  - 3.8.3 Directors' indemnification 15
  - 3.8.4 Borrowing powers of directors 16

Definition of terms

"Boutique" means internal business divisions focussed on meeting various clients' requirements.
"Boutique Manager" means Fund Manager
"ESG" means Environmental, Social and Governance
"Investment Team" means a team comprising of investment analysts, fund managers/ boutique managers and client relationship managers
"ICGN" means International Corporate Governance Network.
"OECD" means Organisation for Economic Co-operation and Development
"OMIG" means Old Mutual Investment Group Zimbabwe (Private) Limited
"OMZIL" means Old Mutual Zimbabwe Limited.
"Responsible Investment Committee"/"RIC" means an Old Mutual Zimbabwe Limited inter-company committee responsible for coordinating responsible investment activities within Old Mutual Zimbabwe.
"ZSE" means Zimbabwe Stock Exchange

1.0 Introduction

This Policy sets out the Old Mutual Investment Group Zimbabwe (OMIG) guidelines for the voting of shareholder resolutions as they relate to listed and unlisted equity. The Policy should be read within the broader context of the OMIG Responsible Ownership Guidelines, which is informed by the OMIG Responsible Investment Guidelines, which states that:

"OMIG takes its responsibility as a shareholder seriously; as a result, we aim to ensure that management are accountable for company performance and conduct. We believe that it is our duty to effectively exercise our shareholder rights on behalf of our beneficiaries, clients and shareholders. Consequently, we have in place mechanisms to engage investee companies regarding material Environmental, Social and Governance (ESG) performance related issues. Our policy is to vote all proxies, and to disclose our vote records to clients upon request. We will also seek opportunities to work with co-investors regarding material ESG issues at investee companies, being mindful of acting in concert issues. Our Equity Responsible Ownership Guidelines and Proxy Voting Policy will be available in the public domain and will be updated on a regular basis."

— Excerpt from the OMIG Responsible Investment Guideline 2014

The Policy is applicable to all boutiques at OMIG, recognising:

- The unique value proposition of each boutique and the independent nature of their investment styles
- The specific mandates that each boutique has with its respective clients
- The mandated responsibility of boutiques to pursue superior risk - adjusted returns on behalf of their clients.

The document is structured as follows:

- Section 2 deals with OMIG's approach to proxy voting and
- Section 3 deals with guidelines OMIG will apply when voting proxies on behalf of its clients.

2.0 OMIG's approach to proxy voting

2.1 Introduction

As a responsible investment manager, our primary aim is to ensure the achievement of superior risk-adjusted returns in line with client mandates. Aligned with this objective, our proxy voting and engagement activities are an integral part of our investment strategy aimed at enhancing long-term value.

We recognise that confidence in the integrity and quality of management in investee companies is essential to long-term value creation and investor confidence. We aim to contribute to investment performance by supporting the application of the highest standards of corporate governance in the

companies in which we invest on behalf of clients.

Our approach to proxy voting draws from aspects of the governance provisions in the Zimbabwean Companies Act 24:03; the listing requirements of the Zimbabwe Stock Exchange (ZSE), the King III Code on Corporate Governance, as well as international guidelines such as the OECD Corporate Governance Principles (2004) and the ICGN Statement on Global Corporate Governance Principles (2005).

We understand that clients may have their own proxy voting policies and may wish to opt out of the OMIG policy. This can be achieved by giving us a signed resolution or investment mandate.

2.2 Proxy voting procedures

Our actions are always subject to signed client instructions or resolutions where the OMIG has no full discretion on a client's mandate with regard to the manner of voting; failing direct instruction, we will vote using the proxy voting guidelines outlined in section 3 of this document. Further to this, in the event that a client has implemented a particular voting policy, we will abide by specific instructions on specific votes, as it is always within the client's contractual discretion to vote their own shares.

Whereas we commit to vote on all shares that we actively research on behalf of our clients; circumstances may arise where shares are held in portfolios based on non-fundamental selection criteria (for example, index tracking, short-term hedging, and others), in which case there may not be requisite knowledge to make an informed proxy voting recommendation. If any of our boutique managers is not in a position to proceed with an informed vote, we will abstain (i.e. any abstentions are as a result of a deliberate decision).

We recognise that we are in a position of trust in respect of client investments and, specifically, their voting proxies. We recognise that we have a duty to act with prudence, care and loyalty when voting proxies.

In deciding how to apply our proxy voting guidelines, we will consider the circumstances of each vote as well as the general principles contained in these guidelines. If it is not clear how to apply the guidelines for a particular vote, decisions on how to vote should be based on what will best serve the long-term interests of the client. This may include deviating from these guidelines.

- The recommendation regarding each proxy is guided by our research team, which is structured around boutique expertise. Where required, the research analyst(s) may call on the support of the Investment Team. The research analyst makes a recommendation to the relevant boutique manager, either in writing or through discussions, having taken these policy guidelines into account.
- Thereafter, the boutique manager considers the analyst's recommendation and makes a decision in the context of what will best serve the interests of their client.
- The boutique manager vote is then communicated to the Research Team, which executes the proxy on the instruction of the boutique manager.
- In all cases, a representative will be sent to attend and vote at the shareholder/stakeholder meeting, in order to execute the vote.

Where a proposed proxy vote falls outside these guidelines and/or requires further consideration, the research analyst may approach the Head of Research to further consider the circumstances surrounding the decision to be made and form a view on the matter. The final recommendation from

the analyst and the Head of Research will be communicated to the boutique manager/s, who shall follow the process as described above.

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

Situations often arise in which more than one of our clients invest in the same company, or in which a single client may invest in the same company but in multiple accounts. In an instance where two or more clients, or one client with different accounts, may be invested in funds with different investment objectives, investment styles or boutique managers, we may cast different votes on behalf of different clients, or on behalf of the same client with different accounts.

2.3 Approach to management engagement

Our research analysts meet regularly with company management to discuss operational and company specific issues, as well as other issues related to governance performance.

We may engage Investee Company's management to communicate reasons for voting against specific resolutions.

We prefer a management engagement route to a public route when seeking change in investee companies. Our preference is to engage and work constructively with board and management to achieve positive change.

Our approach to engagement is overseen by the Responsible Investment Committee (RIC) in order to ensure a consistent approach

2.4 Promoting and protecting shareholder rights

We will seek opportunities to promote and protect shareholder rights through the participation and development of policy, regulations, and standards governing both the listed and unlisted equity market.

2.5 Conflicts of interest

We are mindful that conflicts of interest may occur in the course of our work. We define conflict of interest as follows:

"A conflict of interest arises when an actual or a potential interest may influence a person(s) to not act fairly, independently and objectively towards his/her(their) stakeholder."

We have implemented a Conflict of Interest Policy. The purpose of the policy is to set out parameters for managing any conflicts of interest that may arise in rendering of financial services to customers. The policy is applicable to all our employees, and is reviewed on a regular basis or as dictated by changes in legislation.

The policy was approved by our board of directors, and any major amendments require board approval before coming into effect.

Conflicts of interest manifest in a number of ways in the asset management industry. Once a conflict is identified, we either avoid such conflicts or mitigate it. Key conflicts within our business, which we monitor in a number of ways, are:

- Personal Account Trading- A policy is in place and processes are set to monitor such activity and mitigate the conflict.
- Giving and Receiving Gifts and Benefits- A policy governs the giving and receiving of gifts along with a gift register.

In addition, we have implemented a conflict of interest disclosure requirement for all our staff and we maintain a conflict of interest register. Lastly, the Conflict of Interest Policy is a part of our Code of Conduct, and extracts of it are contained in the employment contracts of all employees and is re-accepted annually by all employees.

2.6 Disclosure and transparency

We will maintain a copy of this Proxy Voting Policy and a copy will be available on our website. Proxy records are available to clients on request.

We will review and update this policy, where necessary.

3.0 Proxy voting guidelines

3.1 Introduction

This section provides an overview of the general principles and guidelines that we will apply when voting listed and unlisted equity proxies. These proxy voting guidelines draw from: the governance provisions in the Zimbabwean Companies Act 24:03, the listing requirements of the Zimbabwe Stock Exchange, the King III Code on Corporate Governance, as well as international guidelines such as the OECD Corporate Governance Principles (2004) and the ICGN Statement on Global Corporate Governance Principles (2005).

We will exercise each proxy vote based on the merits of each case, and from the viewpoint of the client, without regard to any of our interests, our staff, officers, directors or associated companies.

Any deviations from the guidelines will be clearly recorded and explained.

Where separate client proxy voting instructions are provided, via a signed trustee resolution or client mandate, we will abide by client instructions.

3.2 Board of Directors

3.2.1 General principles

- We assess 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.
- We supports the guidelines in the King III Code of Corporate Practices and Conduct regarding board composition, function and responsibilities, specifically:
  - » the board is accountable for the performance and affairs of the company
  - » the board should delegate to management and board committees, but it retains liability
  - » the unitary Board with a mix of executive and non-executive/independent directors is appropriate to Zimbabwe
  - » the 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.

- We supports Board structures where all the directors are able to act only in the best interests of the company, its shareholders and other stakeholders, and where they may exercise independent judgement and decision-making. A fundamental aspect of a well-balanced and well-governed Board is one where the majority of directors are independent non-executives.
- For the purposes of evaluating whether directors are independent, the following definition will apply:

The director:

- » does not represent and was not nominated by a major shareholder
- » has not been employed by the company or the group in any executive capacity for the preceding three financial years
- » is not an immediate family member of an individual employed by the company or the group in an executive capacity in the preceding three financial years
- » is not a professional advisor to the company or the group other than in the capacity as a director
- » is not a significant or material supplier or customer of the company or the group and is not materially associated with such a supplier or customer
- » has no significant or material contractual relationship with the company or the group (other than as a director)
- » is free from any business or other relationship which could be seen to materially interfere with his/her ability to act independently
- » is not a substantial shareholder of the company
- » does not represent any shareholder who has the ability to control or materially influence management and/or the Board
- » is not otherwise associated directly or indirectly with a substantial shareholder of the company
- » meets any other criteria in terms of applicable legislation.

- We will consider supporting the election of a director where the term of service is beyond nine years so long as:
  - » 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
  - » every year the independent directors undergo an evaluation of their independence by the chairperson and the Board.

3.2.2 Role of Chief Executive Officer and chairperson

- Recognising the importance of a Board structure where power and authority is not vested in one person, we will, subject to the second bullet point below, vote against proposals where the role of chief executive officer (CEO) and chairperson are combined, as these should be separate roles.
- In exceptional circumstances, we may vote for a combined role in listed and unlisted companies after taking the following into consideration:
  - » overall governance structures of the Board
  - » a majority of independent Board members with clearly delineated and comprehensive responsibilities
  - » establishing that members of the key Board committees are all independent
  - » CEO is not representing the interests of any major shareholder.
- We will generally vote against a proposal that the CEO move into the position of chairperson following his/her retirement.

3.2.3 Board composition

- We will generally vote in favour of Boards that are comprised of a majority of independents (the principles of independence outlined above are applicable here).
- We 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.
- We will generally vote for Board committees that reflect a level of diversity in terms of skills, race and gender.

3.2.4 Board committees

We will vote against nominations of non-independent, non-executive directors who will be members or chairpersons of the Audit, Remuneration and Nominations committees where the majority of non-executive directors that sit on these committees are not independent.

3.2.5 Election of directors

- We are of the view that individual directors must commit an appropriate amount of time to Board-related matters
- Votes on director nominees are made on a case-by-case basis after examining:
  - » he composition of the Board and key Board committees;
  - » qualifications and experience of the directors;
  - » suitability for participation in Board committees;
  - » attendance and participation at meetings, in the case of re-elections;
  - » the corporate governance framework of the Board;
  - » the overall demographic composition of the Board;
  - » any other relevant factor pertaining to the nominee.
- We will vote against nominations where:
  - » a director has attended less than 75% of Board and committee meetings unless there are good reasons for this;
  - » nominees have implemented or renewed any "poison pill" provisions;
  - » a majority of non-independent directors sit on the Audit, Remuneration or Nomination Committee.

- We will vote against nominations which will cause the Board to have only a minority of independent directors.
- We will not support directors and Boards who have:
  - » enacted or sanctioned poor corporate governance practices or policies; and/or
  - » failed to replace management where appropriate, including poorly performing managers.
- We will vote against proposals that provide that only continuing directors may nominate replacements to fill Board positions. Shareholders must be able to elect replacements for vacant Board positions or ratify such appointments.
- We 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:
  - » experience
  - » qualifications
  - » other fiduciary commitments (such as other directorships, trusteeships or curatorships)
- We will vote against resolutions where directors seeking election or re-election are proposed in a single or collective resolution. An individual resolution must exist for each director seeking election or re-election.
- We will vote against the re-election of any director who has dealt in the company's securities during a closed period.

3.2.6 Board size

We will vote for proposals that fix the Board at an appropriate size given the size and complexity of the company.

3.2.7 Board responsibilities, function and performance

We support 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. Consequently, we will vote in favour of proposals to structure Board committees with specific terms of reference and identified responsibilities.

3.2.8 Directors and officer indemnification and liability protection

- We will vote against proposals to entirely eliminate directors' and officers' liability for damages for violating their fiduciary duty of care.
- We will generally vote against proposals that extend indemnification for directors for acts such as gross negligence, fraud and breaches of fiduciary duties.

3.3 Remuneration

3.3.1 General principles

- We expect the Board to maintain a remuneration committee that is responsible for the direction and oversight of the company's executive compensation programme and for regularly evaluating the performance of senior management. Directors who are CEO's of other companies should not sit on the committee. Members of this committee should not be nominated or selected by management.
- Remuneration of executives and senior management should be guided by a remuneration policy which should be tabled for a non-binding shareholder vote on an annual basis.
- Remuneration paid to executive directors and non-executive directors must be fully disclosed in the financial statements. Such disclosure should include details of base pay, bonuses, share-based payments, granting of options or rights, restraint payments and all other benefits. Disclosure of the maximum and expected potential dilution that may result from incentive awards granted in the current year is also required.
- Director remuneration should be sufficient and appropriate to incentivise and retain excellence on the Boards of companies which we have invested in. 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, we will make use of comparative peer analysis to gauge the appropriateness of remuneration packages.
- Executive remuneration must be subject to independent and objective oversight. Consequently, all members of the remuneration committee must be non-executive directors and the majority of the members, as well as the chairperson, must be independent non-executive directors. Executives may attend on invitation, but must recuse themselves when their remuneration is under consideration.
- Exit provisions must be monitored to ensure the absence of provisions such as "poison pills" or inappropriately generous "golden parachutes". 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.
- 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, including share options.

- 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.
- The personal performance targets for executives must include a combination of financial and non-financial targets.
- Business performance objectives may 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.
- Service contracts of directors and senior management should be reviewed by the Chairman of the Board on a regular basis.
- Short-term incentives (cash bonuses) must be performance related:
  - » transaction bonuses generally will not be supported
  - » 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.
- 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.

3.3.2 Executive remuneration: share grants

- We will generally not support re-pricing or "surrender and re-grant" of underwater share options.
- We will not support share option schemes 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, this must be confirmed in writing by the issuing company.
- We will not support options and grants issued at a discount to the market price – pricing should be set at the market price.
- We will generally not support share grants priced at a discount to net asset value per share.
- We will only support proposals where the quantum, strike price, time of issue and assumptions regarding valuation of options and grants have been disclosed.
- The potential dilution of shareholder funds or equity should be limited and the maximum possible dilution (i.e. face value) should be disclosed.
- The group aggregated dilution from a new issue of shares should be limited to 10% of issued share capital in any rolling ten-year period (as adjusted for scrip/bonus and rights issues).
- We discourage the use of derivative instruments by option participants prior to end of the vesting period.

3.3.3 Non-executive remuneration

- We will support non-executive directors being paid an attendance fee.
- Share options for non-executives will not be supported as we are of the view that it compromises their independence. We will, however, support a proposal where a portion of director fees is paid in shares, subject to vesting conditions.
- In exceptional circumstances, and only once alternate strategies have been explored and rejected, we will consider a one-off share option grant to non-executive directors as a specific empowerment strategy and for justifiable commercial reasons, subject to the following:
  - » full disclosure of quantum, strike price, time of issue and assumptions on valuation

- » the grant is linked to business and personal performance targets
- » the grant has a vesting period of at least three years
- » the grant is made at market or mid-market price with no discounting.
- » the scheme rules requiring the non-executive director to retain the options for one year after termination of the director's contract.

3.3.4 Financial reporting

- All financial reporting by a company must be prepared in accordance with the International Financial Reporting Standards.
- The Board of a company must present a balanced and fair view of the company's financial position and the company's ability to continue as a going concern.
- A company's annual report must contain a statement from the Board outlining their responsibility for preparing the accounts and a statement from the company's auditors concerning their reporting responsibilities.
- Where non-financial aspects of reporting have been subject to external evaluation or review, this fact must be stated and details provided in the company's annual report.
- Companies should make every effort to ensure that information is distributed to stakeholders via a broad range of communication media, and that such information is disseminated to all stakeholders simultaneously, where possible.
- A company's audit committee should determine whether or not a company's interim results should be audited.
- We will vote for proposals to approve financial or directors' reports only if the reports are available to all shareholders before the shareholders' meeting in sufficient time to read and understands its contents.
- We will vote in favour of a resolution to approve the annual financial statements of a company when we consider the annual financial statements to be a fair reflection of a company's financial position for the period. In considering our vote, we will assess whether there has been an audit qualification for the period and whether there has been a material omission of information that may result in a negative vote in the circumstances.
- Should we not approve the annual financial statements of a company for whatever reason, it will provide an explanatory note outlining our rationale for declining to approve the annual financial statements.

3.4 Audit Committee

3.4.1 General principles

- The Board should establish an audit committee of at least three members or, in the case of smaller companies, two members, all of whom should be independent directors. The Board should satisfy itself that at least one member of the audit committee has recent and relevant financial experience.
- The audit committee should be established with formal and transparent arrangements for considering how they should apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the company's auditors.
- The audit committee should have written Terms of Reference dealing adequately with its membership, authority, duties, roles, responsibilities and legislated requirements.
- The chairperson of the audit committee should not be the chairperson of a 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, and should be a good communicator.
- 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 audit 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.

- 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.
- 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.

3.4.2 Membership and appointment

- We will vote for proposals to create audit committees in which all of the members are independent.
- We will vote against individual directors who are not independent and sit on the audit committee.

3.4.3 Auditing and non-auditing services

- The audit committee should have primary responsibility for making a recommendation on the appointment, reappointment and removal of the external auditors. 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.
- The Board should have an audit committee that is responsible for oversight of the annual external audit of the company.
- We will support the rotation of audit firms on a six- to ten-year basis or the rotation of the Partner-in- Charge after a period of not more than 5 years
- 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.
- There should be separate disclosure in a company's annual financial statements of the amount paid to the external auditors for non-audit services as opposed to audit services.

3.5 Empowerment transactions

3.5.1 Principles for economic empowerment (EE) transactions

- We will support proposed economic empowerment (EE) transactions which have a good investment case.
- We recognise that EE is an important social and business imperative and that EE transactions are important to the success of the companies in which we invest. We have a duty to our clients to act in their best interests in evaluating such transactions.
- We expect that companies would demonstrate the benefits of such a transaction, and calculate and disclose the economic cost thereof and impact on key financial metrics.
- The economic cost will include the cost of any discount to the market price of shares issued or sold to the economic empowerment (EE) parties and/or the effective cost of any funding or option arrangement. Such economic cost should be calculated using generally accepted financial or option valuation methodologies applicable to the situation. We will consider whether such costs are fair in relation to the expected benefits and fair in relation to norms in the marketplace.
- The structuring and designing of the EE scheme and selection of the participants in such a transaction remain the prerogative of a company's management. Full and detailed disclosure by a company needs to be provided on all relevant terms of the EE deal. We

expect management to clearly justify the structure and composition of the EE deal.

- We favour EE transactions that are sustainable, including those that are reasonably expected to result in a high probability of value realisation for empowerment partners.
- To the extent that an EE transaction is put in place to meet EE legislation (Indigenisation and Economic Empowerment Act [Chapter 14.33]) or to meet the requirements of an industry charter, we would expect the company to obtain the necessary sign-off, advice (legal or otherwise) and/or evidence that the transaction complies with such legislation or charter; and that such sign-off, advice and/or evidence be disclosed to shareholders. A transaction which does not meet the legislation or charter requirements, or where insufficient comfort is provided to shareholders that it does meet such legislation or charter requirements, is likely to be rejected in the absence of other strong reasons, which must be motivated by a company.
- Such legislation or charter may have certain ownership targets in the future, and we would therefore need to gain comfort on the extent to which the transaction meets both current and future requirements.
- To support the longevity of EE transactions, we would support a minimum of a seven year lock-in arrangement with the EE parties.

3.5.2 Principles applying to EE constituents in transaction consortia

- Each component constituent in a consortium that is introduced should be justified on a cost benefit basis on its own merits. We favour the composition of a consortium that would add the most value and the least cost to the company concerned. The choice of the constituents and the evaluation of which will add the most value to the company, is the responsibility of the board, who will be required to justify their choice in the context of the company to shareholders.
- Subject to the above, all things being equal, we favour EE transactions that are as broad based as possible, and therefore will generally support proposals where staff, customers and other stakeholders are included in the transaction deal. We normally would classify a transaction as broad based if more than 51% of the shares acquired are for the benefit of a broad base of constituents.
- We would expect such empowerment partners to provide a capital commitment upfront that is material in the context of the EE deal and the empowerment partner's financial position. We also expect that such partners have suitable performance conditions towards the company and suitable arrangements, including lock-ins and restrictions around competing ownership. We do not expect a capital commitment for the broad-based elements of the transaction. It is therefore possible that some components of the transaction will provide an upfront commitment whereas other components will not.
- As a corollary to the third point above, where a component is not broad based, but there is no cost to the company as a result of the transaction (i.e. where historically disadvantaged individuals have acquired shares in the market or from the company at full price, and there is no recourse at all to the company), then we would not expect such further conditions outlined in the third point above to be imposed.

3.6 Unissued shares under the control of directors

3.6.1 Principles applying to unissued shares under the control of directors

Where a company's unissued shares are placed, by a shareholder resolution, under the control of the directors of the company, it opens the possibility of the directors misappropriating those unissued shares.

3.6.2 Guidance on unissued shares under the control of directors

We will vote in favour of a resolution that enables the directors to control a portion of the unissued shares, or other voting instruments as defined in terms of relevant legislation, in the share capital of a company that corresponds to a maximum of 5% of the issued shares and/or other voting instruments in the share capital of the company, cumulatively in any financial year. The authority granted to directors must be renewed annually at the respective company's Annual General Meeting (AGM).

We consider a maximum threshold of 5% as acceptable to protect our clients' interests and to allow the company sufficient flexibility in executing its strategy with respect to the share capital of the company. In making the above determination, we do not distinguish between issued share capital exchanged for cash or for shares in another company, as the dilutive effect is equivalent.

Should a company propose a resolution which places more than 5% of the unissued shares under the control or discretion of its directors but:

- Subjects those shares to existing shareholders' pre-emptive rights and to a maximum of 10% , or
- The company has provided a full and reasonable explanation for the necessity of such a resolution.

We may vote in favour of such a resolution.

3.7 Shareholder matters relating to capital management

3.7.1 Dividend policy

Should a company in which we have invested declares a dividend, we will investigate the rationale behind the declaration as well as analyse the effect such dividend, if paid to shareholders, may have on the capital structure and liquidity status of a company.

Thus, we will consider the reasons given by a company for the declaration of a dividend and determine our voting position given the circumstances.

3.7.2 Capitalisation issues

We will consider the share capital structure before and after such a proposed issue, and form a view as to whether or not we are in favour of such an issue, given the circumstances and possible alternatives that may be available to our clients.

3.7.3 Odd-lot offers

We will support proposals by a company to "mop up" smaller and odd number shareholdings if it results in a lower administrative burden and expense for a company, and provided that a company has the requisite authority to conduct such offers and such offers are at least at market prices in the circumstances. The mop up purchases should not have material impact on the company's cash flow position.

3.7.4 Share splits and consolidations

We will consider an investee company's proposal to split or consolidate its share capital, given the circumstances.

3.7.5 Reduction in capital

We will consider a company's proposal to reduce its share capital given the circumstances

and provided that a company has the requisite authority to do so and, furthermore, that subsequent to such a reduction, all legislative and regulatory requirements are met by a company.

3.7.6 Preferential voting rights/dual capitalisation

We do not support the introduction of preferential voting rights with regard to a company's share capital. However, should a company have such structures in place, then we will form a view regarding the different classes of shares when deciding to exercise a vote in relation to those shares which we hold on behalf of our clients.

3.7.7 Share repurchases

We are of the view that share repurchases are an efficient and effective means of returning wealth to shareholders and will generally, on behalf of our clients, vote in favour of such proposals by a company, provided that:

- A company has the requisite authority in its memorandum of incorporation to repurchase its shares
- Both before, during and after the share repurchase exercise, a company remains both liquid and solvent, the exercise does not result in a material change to a company's share rating and a company has complied with all other legislative requirements relating to the share repurchase
- The share repurchase exercise is not used as a means to frustrate or enforce corporate actions or will not result in prejudice to different classes of shareholders
- A reasonable percentage of the issued shares of a company are subject to the repurchase proposal
- The share repurchase proposal is used to achieve goals that add value to a company and these goals are specifically stated and explained by a company in its proposal
- The share repurchase proposal is in our clients' best interests.
- When a company considers repurchasing its shares, all its shareholders must be given an equal chance to tender their shares, and any mandatory repurchase must apply equally to all classes of shares. Moreover there should be a public notice of opening of offers and all purchases by related parties should be disclosed.

3.8 Changes to Memorandum of Incorporation

3.8.1 Introduction of new share classes

- In considering whether or not to vote in favour of a resolution of a company which proposes splitting a company's share capital into different classes (which classes carry different voting rights and/or dividend rights), we will in each circumstance determine if such a split will be in our clients' best interests.
- We will furthermore assess a company's commercial reasons for proposing such a resolution.

3.8.2 Changes in Board composition

- We recognise that a company's proposal to amend its memorandum of incorporation to change the composition of its Board may be necessary for any number of commercial reasons and will consider whether such an amendment will be in our clients' best interests given the circumstances.
- We will also consider the appropriateness of such an amendment in light of both Zimbabwean and international codes of best practice and our internal corporate governance policy.

3.8.3 Directors' indemnification

We will assess the wording of such resolutions that amend a company's memorandum of

incorporation with particular reference to the following:

- Whether the proposed indemnity is necessary or appropriate in the circumstances
- The extent of liability of the persons covered by the proposed indemnity
- The number of directors, officers or other persons covered by the proposed indemnity
- The cost to the company of the proposed indemnity
- The maximum amount by which each person is and by which all persons are covered by the proposed indemnity;
- Whether a company itself grants the proposed indemnity or whether a company is considering entering into an agreement with a third-party insurer to provide the proposed indemnity
- Any other relevant factor given the circumstances.

3.8.4 Borrowing powers of directors

- We accept the view 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.
- In each case where a proposal is made to amend a company's memorandum of incorporation with regard to the borrowing powers of directors, we 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.