

Investments




An investment framework for responsible investing

Proxy voting guidelines



Proxy voting guidelines

The following tables highlight the main categories of resolutions covered and informed by the guidelines.




Board composition and directorship

Independent directors

Board membership should comprise of a balance of executive and non-executive directors who have extensive experience and are able to act independently.

Separate CEO and chair positions

We support the election of an independent non-executive chairman so that the board represents the interests of shareholders, and not only the interests of executive management.



Share capital

Placing unissued ordinary shares under the control of the directors

The asset manager should consider opposing resolutions that place unissued ordinary shares under the control of the directors, as any further issues would dilute existing shareholdings.

Authority to repurchase shares

The asset manager should consider opposing resolutions that allow share repurchases to affect the "free float" of the company, which may have a material negative effect on liquidity.

Re-pricing or issuing options at a discount


The asset manager should consider opposing proposals that allow the repricing or issuing of options at a discount.

Providing directors with the authority to issue shares for cash

The asset manager should consider opposing resolutions that give directors the authority to issue shares for cash, as any further issues would dilute existing shareholdings.

Dual capitalisation and preferential voting rights

Resolutions either dividing share capital into two or more classes or creating classes with unequal voting or dividend rights should be opposed.




Environmental issues

Environmental hazards

The asset manager should support resolutions seeking the adoption of a policy that makes information available to enable the public to assess a company's potential environmental impact.

Environmental reports

The asset manager should support resolutions that require companies to prepare general reports explaining their environmental management plans. It should also encourage companies to disclose current or potential environmental liabilities.



Election of directors

Regarding the election or re-election of directors, the asset manager should consider the:

- effectiveness of the board.
- relevant knowledge, skills and experience of current and proposed new directors.
- number of other directorships held by current and proposed new directors.
- attendance records of directors with respect to board meetings.

Members of asset managers' investment teams having directorships on the boards of listed companies


We believe an asset manager must preserve the independence and flexibility of its investment team and process. Therefore, it should not appoint members to its investment team that are on the board of listed companies.

To ensure asset managers vote proxies in accordance with our requirements, we have developed a set of Proxy voting guidelines.

The guidelines are informed by the King IV Code on Corporate Governance which provides a philosophical framework within which we stipulate how an asset manager should vote proxies on our behalf. The fundamental purpose of the guidelines is to ensure that asset managers act in the best interest of clients.

Proxy voting guidelines (continued)

The following tables highlight the main categories of resolutions covered and informed by the guidelines.



Remuneration

Levels of remuneration should attract, retain and incentivise directors. Given that remuneration has implications for corporate performance and shareholder returns, shareholders have a valid role in approving remuneration policies set by formal and independent procedures.

Items the asset manager must consider include:

- detailed disclosure of director and employee compensation, particularly if the company does not have a majority independent board
- the independence of the remuneration committee and its recommendations.
- whether compensation is reasonable especially regarding:
 - the CEO total annual remuneration
 - “golden parachutes” for early termination of service or if triggered by a takeover
 - executive severance pay (particularly where the company's performance was poor during the particular executive's tenure).



Auditors

The audit process must be objective, rigorous and independent to maintain the confidence of the market. The asset manager should consider any issues that may have compromised the appointed audit firm's independence and objectivity with respect to the company over the past year.



Empowerment equity

The asset manager should encourage the development of an employment equity plan and the reporting on empowerment, with specific focus on:

- shareholders
- board of directors
- executive and senior management
- staff and labour force
- suppliers and contractors



King Report on Corporate Governance

We support the principles and guidelines proposed in the King Report on Corporate Governance. Where issues arise that are not addressed or are insufficiently covered in the regulatory document, the principles and intentions of the King Report will be used as guidelines to address them.

We monitor and assess the voting activity of asset managers at a high level on a quarterly basis to gain insight into the managers' voting activities and to understand and evaluate inactivity. A summary of voting activity within our flagship portfolios is disclosed on our website.

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