NEDGROUP INVESTMENTS PROXY VOTING GUIDELINES

Introduction

This Policy sets out Nedgroup Investments' guidelines for the voting of shareholder resolutions as they pertain to listed equity. Stakeholders should read the Policy within the broader context of the Nedgroup Investments Responsible Investment Guidelines, which state:

> *Nedgroup Investments takes its responsibility towards client assets seriously; as a result, we aim to ensure that management is ultimately accountable for company performance and conduct. We believe that it is our duty to provide our appointed managers with guidelines on how to exercise shareholder rights in the best interests of our clients.*
>
> *Consequently, we have developed proxy-voting guidelines, which are included as annexures to all our agreements with appointed managers. Our policy is to disclose manager vote records to clients upon request. Further to this, we will manage potential conflicts of interests through our existing conflict of interest management processes.*

- Excerpt from the Nedgroup Investments Responsible Investment Guidelines

This policy is applicable to all mandates that include equity as a component, recognising:

- the unique value proposition of each manager and the independent nature of their investment styles;
- the mandated responsibility of managers to pursue superior risk-adjusted returns on behalf of our clients.

The following sections of this document will address the guidelines our Best of breed™ will apply when voting proxies on behalf of our clients.

Proxy voting guidelines

This section provides an overview of the general principles and guidelines that our Best of breed™ managers will apply when voting listed equity proxies. These proxy voting guidelines draw on: the King III Code on Corporate Governance; the governance provisions in the South African Companies Act 71 of 2008; the listing requirements of the JSE, as well as international guidelines such as the OECD Corporate Governance Principles (2004); the ICGN Statement on Global Corporate Governance Principles (2005); and the Association of British Insurers Guidelines.

Managers will exercise each proxy on the merits of the case for each such proxy, and from the viewpoint of the client, without regard to any interests of Nedgroup Investments, the manager, its staff, officers, directors or its associated companies.

Our Managers may choose to vote in a manner that is contrary to what is presented here. In such instances, deviations from the guidelines will be clearly recorded and explained on request.

Board of Directors

General Principles

- Managers should 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.
- Managers should apply the guidelines in the King II Code of Corporate Practices and Conduct as regards Board composition, function and responsibilities, specifically:
  - the Board is accountable for the performance and affairs of the company
  - it 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 South Africa
  - 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.
- Managers should support 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

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        - meets any other criteria in terms of applicable legislation.
- Managers should 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.

Role of Chief Executive Officer and Chairperson

- Recognising the importance of a Board structure where power and authority is not vested in one person, Managers should, subject to the second bullet point below, vote against proposals where the role of chief executive officer (CEO) and chairperson are combined, based on the following:
    - listed companies are expected to comply with rule 3.80 of the JSE Listing Requirements: Continuing Obligations, which requires a separation of roles.
- In exceptional circumstances, Managers may vote for a combined role in listed 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
- Managers should generally vote against a proposal that the CEO move into the position of chairperson following his/her retirement.

Board Composition

- Managers should generally vote in favour of Boards that are comprised of a majority of independents (the principles of independence outlined above are applicable here).
- Managers should 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.
- Managers should generally vote for Board committees that reflect a level of diversity in terms of skills, race and gender representative of the social transformation agenda of the country.

Board committees

Managers should 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.

Election of directors

- Nedgroup Investments 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. Managers, given the circumstances, should 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.

- Managers should not support a full-time executive director of a JSE-listed company holding more than one other non-executive directorship (excluding directorships of subsidiary companies).
- Votes on director nominees should be made on a case-by-case basis after examining:
    - the 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.
- Managers should 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 who sit on the Audit, Remuneration or Nomination Committee.
- Managers should vote against nominations that will cause the Board to have only a minority of independent directors.
- Managers should 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.
- Managers should vote against proposals that provide that only continuing directors may nominate replacements to fill Board positions.
    - Shareholders must elect replacements for vacant Board positions.
- Managers should 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)
    - proposed role on the Board
    - possible conflicts of interest.
- Managers should 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.
- Managers should vote against the re-election of any director who has previously failed to comply with the disclosure requirements in respect of JSE listing requirements on share dealings, unless adequately explained.
- Managers should vote against the re-election of any director who has dealt in the company securities during a close period.

Board size

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

- Board responsibilities, function and performance
    - Managers should 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, Managers should vote in favour of proposals to structure Board committees with specific terms of reference and identified responsibilities.
    - The responsibilities and levels of performance by Board members must be disclosed to shareholders ahead of annual general meetings and without such disclosure, Managers should vote against director elections where such disclosures do not occur or where the assessment framework is considered inadequate.

Directors and officer indemnification and liability protection

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

Remuneration

General Principles

- Nedgroup Investments expects the Board to maintain a compensation 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. In order to be effective and avoid conflicts of interest, this committee must be made up entirely of independent directors. 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 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. 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.
- Director remuneration should be sufficient and appropriate to incentivise and retain excellence on the Boards of companies that Managers invest 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, Managers will make use of comparative peer analysis to gauge the appropriateness of remuneration packages.

- Executive remuneration must enjoy 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. Contrary proposals from issuers should not be supported.
- 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 should 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.

Executive remuneration: share grants

- Managers should generally not support re-pricing or "surrender and re-grant" of underwater share options.
- Managers should 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.

- Managers should not support options and grants issued at a discount to the market price – pricing should be set at the market price.
- Managers should generally not support share grants priced at a discount to net asset value per share.
- Managers should 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).
- Nedgroup Investments discourages the use of derivative instruments by option participants prior to end of the vesting period.

Non-executive remuneration

- Non-executive remuneration should be merit based, determined by the issuer according to performance standards, and each director should therefore receive an appropriate rate that may be different from other non-executive directors. Remuneration should be directly linked to the time, commitment and expertise of the non-executive director. Managers need not typically enquire into the reasonability of the performance standards or the reasons for the differentials but should require confirmation regarding measurements that are defined and objectively based.
- Managers should support non-executive directors being paid an attendance fee.
- Share options for non-executives should not be supported as Nedgroup Investments is of the view that it compromises their independence. Managers should, 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, Managers may 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 require the non-executive director to retain the options for one year after termination of the director's contract.
- The Board is sufficiently independent (by number of people) after issuing the shares to non-executive BEE candidates.

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 an understandable 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 valuation 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 dissimilated to all stakeholders simultaneously, where possible.
- A company's audit committee should determine whether or not a company's interim results should be audited.
- Managers should vote for proposals to approve financial or directors' reports only if the reports are available to all shareholders before the shareholders' meeting.
- Managers should 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, Managers should 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 a Manager not approve the annual financial statements of a company for whatever reason, that Manager should provide an explanatory note outlining its rationale for declining to approve the annual financial statements.

Audit Committee

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.

Membership and appointment

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

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.
- Managers should support the rotation of audit firms on a six- to ten-year basis.
- 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

Principles for broad-based black economic empowerment (BBBEE) transactions

- Managers should support proposed broad-based black economic empowerment (BBBEE) transactions that have a good investment case.
- Nedgroup Investments recognises that BBBEE is an important social and business imperative and that BBBEE transactions are important to the success of the companies in which Managers invest. Managers have a duty to act in the best interests of clients in evaluating such transactions.
- Nedgroup Investments expects 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 should include the cost of any discount to the market price of shares issued or sold to the black economic empowerment (BEE) 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. Managers should consider whether such costs are fair in relation to the expected benefits and fair in relation to norms in the marketplace. As a guideline, the economic cost should be 3% - 6% for a 10% - 25% stake.
- The structuring and designing of the BEE 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 BEE deal. Nedgroup Investments expects management to clearly justify the structure and composition of the BEE deal.
- Nedgroup Investments favours BEE 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 a BEE transaction is put in place to meet BEE legislation (such as the Department of Trade and Industry (DTI) Codes), 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 Managers would therefore need to gain comfort on the extent to which the transaction meets both current and future requirements.
- To support the longevity of BEE transactions, Nedgroup Investments supports a minimum of a seven-year lock-in arrangement with the BEE parties.

Principles applying to BEE 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. Nedgroup Investments favours 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 management, who will be required to justify their choice in the context of the company.
- Subject to the above, all things being equal, Nedgroup Investments favours BEE 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 would classify a transaction as broad based if more than 70% of the shares acquired are for the benefit of a broad base of constituents.

- In so far as any component in a BEE transaction is not broad based and there is a cost to the company with regard to the transaction, Nedgroup Investments would expect such empowerment partners to provide a capital commitment upfront that is material in the context of the BEE deal and the empowerment partner's financial position. Nedgroup Investments also expects that such partners have suitable performance conditions towards the company and suitable arrangements, including lock-ins and restrictions around competing ownership. Nedgroup Investments does 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 Nedgroup Investments would not expect such further conditions outlined in the third point above to be imposed.

Unissued shares under the control of directors

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 abusing their authority by issuing the company's shares in a partisan manner.

Guidance on unissued shares under the control of directors

Managers should 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. Nedgroup Investments considers a maximum threshold of 5% as acceptable to protect its clients' interests and to allow the company sufficient flexibility in executing its strategy with respect to the share capital of the company. Nedgroup Investments, in making the above determination, does not distinguish between issued share capital exchanged for cash or for shares in another company, as the dilutionary 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,

Managers may vote in favour of such a resolution.

Shareholder matters relating to capital management

Dividend policy

Should a company in which Managers have invested declare a dividend, Managers should 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, Managers consider the reasons given by a company for the declaration of a dividend and determine their voting position given the circumstances.

Capitalisation issues

Managers should consider the share capital structure before and after such an issue, and form a view as to whether or not they are in favour of such an issue, given the circumstances and possible alternatives that may be available to clients – for example, the issuing of dividends.

Odd-lot offers

Managers should 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.

Share splits and consolidations

Managers should consider a company's proposal to split or consolidate its share capital, given the circumstances.

Reduction in capital

Managers should 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.

Issuing shares for cash

Nedgroup Investments is cognisant of the JSE Listings Requirements, which place a restriction on issuing shares for cash up to a maximum of 15% of issued share capital. However, Nedgroup Investments is of the view that a maximum restriction of 5% is more acceptable to its clients, given the circumstances under which a proposal to issue shares for cash is made.

Preferential voting rights/dual capitalisation

Nedgroup Investments does not support the introduction of preferential voting rights/dual capitalisations with regard to a company's share capital. However, should a company have such structures in place, then Managers should form a view regarding the different classes of shares when deciding to exercise a vote in relation to those shares which it holds on behalf of its clients.

Provision of financial support in terms of Section 45 of the Companies Act of 2008

Managers should review each resolution for financial assistance on a case-by-case basis. Managers should support resolutions for financial assistance as defined under Section 45 of the Companies Act where such resolutions are worded in a manner that does not provide blanket

powers to the directors, are limited in terms of scope of application, and the form, nature and extent of such financial assistance is clearly defined.

Share repurchases

Nedgroup Investments is of the view that share repurchases are an efficient and effective means of returning wealth to shareholders and will generally, on behalf of its 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 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.

Changes to memorandum of incorporation

Introduction of new share classes

- Managers, 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), should in each circumstance determine if such a split will be in clients' best interests.
- Managers should furthermore assess a company's commercial reasons for proposing such a resolution.

Changes in Board composition

- Nedgroup Investments recognises 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 Managers should consider whether such an amendment will be in clients' best interests given the circumstances.
- Managers should also consider the appropriateness of such an amendment in light of both South African and international codes of best practice and its internal corporate governance policy.

Directors' indemnification

Managers should 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.

Borrowing powers of directors

- Nedgroup Investments accepts 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, Managers should 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.