



# FOORD ASSET MANAGEMENT

## QUARTERLY ESG REPORT

Q4 2022

*Signatory of:*



# RESPONSIBLE INVESTMENT SUMMARY

## Proxy Voting Summary Q4 2022

DOMESTIC COMPONENT	TOTAL COUNT	FOR %	AGAINST %	ABSTAIN %
Adopt Financials	2	100%	0%	0%
Auditor/Risk/Social/Ethics related	50	100%	0%	0%
Buy Back Shares	11	82%	18%	0%
Director Remuneration	52	100%	0%	0%
Dividend Related	3	100%	0%	0%
Issue Shares	12	17%	83%	0%
Loan / Financial Assistance	11	18%	82%	0%
Other	18	78%	12%	0%
Re/Elect Director	48	98%	2%	0%
Remuneration Policy	24	42%	58%	0%
Share Option Scheme	6	50%	50%	0%
Shares under Director Control	7	14%	86%	0%
Signature of Documents	5	100%	0%	0%

FOREIGN COMPONENT (FOORD INTERNATIONAL FUND)	TOTAL COUNT	FOR %	AGAINST %	ABSTAIN %
Issue Shares	1	0%	100%	0%
Political Expenditure/Donation	2	50%	50%	0%
Re/Elect Director or members of supervisory board	6	100%	0%	0%
Remuneration Policy including directors' remuneration	4	0%	100%	0%
Signature of Documents/Ratification	5	20%	80%	0%

FOREIGN COMPONENT (FOORD GLOBAL EQUITY FUND)	TOTAL COUNT	FOR %	AGAINST %	ABSTAIN %
Auditors/risk/social/ethics related	1	100%	0%	0%
Buy Back Shares	1	100%	0%	0%
Issue Shares	4	100%	0%	0%
Others	3	0%	100%	0%
Re/Elect Director or members of supervisory board	4	100%	0%	0%
Remuneration Policy including directors' remuneration	7	14%	86%	0%
Signature of Documents/Ratification	2	100%	0%	0%

General comments:

- There are few abstentions. We apply our minds to every single resolution put to shareholders. When there is an abstention, it would typically be intentional or for strategic reasons.
- We typically vote against any resolution that could dilute the interests of existing shareholders. Examples include placing shares under the blanket control of Directors, providing loans and financial assistance to associate companies or subsidiaries and blanket authority to issue shares. On the rare occasion we have voted in favour of such resolutions, we were able to gain the required conviction in the specifics of the strategic rationale for such activities and could gain comfort that such activities are indeed to be used to the reasons stated.
- The firm also has a strong philosophy regarding management remuneration models. We believe in rewarding good managers with appropriate cash remuneration on achievement of relevant performance metrics that enhance long-term shareholder value. We are generally not in favour of share option schemes given the inherent asymmetry between risk and reward typical of such schemes. In addition, we do not believe that existing shareholders should be diluted by the issuing of new shares to management as is the case with most option schemes. We are in favour of the alignment created between management and shareholders when management has acquired its stake in the company through open market share trading and paid for out of management's own cash earnings.

## Notable Engagements

*(Note: reporting at investment house level, specific fund might not be invested in all these companies)*

<p><b>The Spar Group</b></p>	<p><b>Concern:</b> Allegations of multiple contracts signed for the same store by Spar's CEO (Brett Botten) and a retailer in 2018. At the time Brett Botten was the MD of South Rand.</p> <p><b>Interactions and Steps:</b></p> <ul style="list-style-type: none"> <li>- Meeting with the CFO to address our issues and concerns on the allegations;</li> <li>- This led us to do our own analysis on the valuations paid for corporate stores;</li> <li>- Meeting with the Board (Chairman, Secretary, Risk Manager and Independent Board Director) and presented our analysis;</li> <li>- Call with Independent Retailers;</li> <li>- Meeting with CEO and CFO to get his views on the allegations and presented our analysis;</li> <li>- Met with the new Chairman on his priorities/focus points;</li> <li>- Emailed follow up questions to the CFO (awaiting response);</li> <li>- Emailed a letter to Board and management with our concerns with the full details of our analysis (in process).</li> </ul> <p><b>Outcome:</b></p> <p>Given the above, we have factored in more conservative assumptions for the business in general. Although the share is cheap on a base case scenario, we remain cautious given the many unresolved risks. We have therefore reduced our holding in the company.</p> <p>Appointment of a good external new chairman and a new board member with retail experience is a good start and will continue to be monitored closely.</p>
<p><b>Spurcorp</b></p>	<p>Expressed reservations with potential for dilution on implementation of remuneration policy as it relates to settlement in shares for bonus awards and long-term Incentive programs. Discussed short-term incentives targets and potential for them to be easily achievable coming out of an economic recovery, regardless of management actions.</p>
<p><b>Bidvest</b></p>	<p>Discussed recent remuneration changes and overall policy. Informed that Foord will vote against any policy that could lead to dilution of its investors' interests. Bidvest has bought back the required number of shares issued under their incentive schemes over the last few years, but they don't commit to do so at all times.</p>
<p><b>Fortress</b></p>	<p>Interacted with the board on three occasions, including with the Chairman and independents to flag our governance concerns and to propose solutions. We also engaged with management and corporate advisors on at least eleven occasions to flag concerns fiduciary duties, capital allocation and conflicts of interest of senior management.</p> <p>We co-signed three letters to the board with other institutional shareholders comprising &gt; 60% of the vote to highlight concerns around management fiduciary responsibility. The correspondence articulated shareholders rights and violations resulting from vested interest which impinge on these rights (future non-payment of dividend once being able to pay). The letters proposed solutions to the board.</p> <p>We voted against reappointment of CEO to the board (6th December 2022). We were a signatory to letter demanding general meeting to sec 61 (3) of the companies act and a vote on a patch which will take place on 12th January 2023.</p>

## DISCLOSURE

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