



**KGORI CAPITAL**  
INVEST WITH PRIDE

# **INVESTOR STEWARDSHIP POLICY**



Published July 2022  
[www.kgoricapital.com](http://www.kgoricapital.com)

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## 1. BACKGROUND AND INTRODUCTION

Kgori Capital is a Botswana focused investment manager, providing client driven local and international investment solutions to pension funds, corporates, charities, and private clients. Established in 2012, the firm has been built from start-up into a leading asset management firm. We have developed from a humble beginning to a position where we proudly serve a growing, sophisticated client base in Botswana.

Kgori Capital is known to be a manager that is conscious of its role in Botswana and our purpose is to play a meaningful role in transforming the investment management industries in which we operate in, to an environment that allows us to produce excellent investment outcomes for our clients.



Kgori Capital is wholly owned and controlled by management and staff and operates as an independent firm.

We are signatories to the United Nations Principles of Responsible Investing (UNPRI) and fully endorse the Code for Responsible Investing in South Africa (CRISA Code)\*. Summaries of both the UNPRI Principles and the CRISA Code are contained at the end of this report.

Two important principles of both the UNPRI and CRISA Codes are active ownership and transparency through reporting. The proxy voting report is prepared with these two principles in mind. Kgori Capital regards our investments in listed companies on behalf of our clients as representing part ownership of the underlying businesses as represented by the shareholding. We view seriously our responsibility to exercise voting authority over the securities which form part of our clients' portfolios.

This voting authority is expressed in two ways:

1. Active voting on all resolutions put to shareholders in line with Kgori Capital's Proxy Voting and Corporate Governance Policy. A copy of the policy is included at the end of the report.
2. Active engagement with management of companies where we feel shareholder rights are not appropriately being considered in management decisions.

You are most welcome to contact us to discuss any of the matters contained in the report should you require further clarification. To do so please contact either:

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## **APPENDIX A**

### **SUMMARY OF CODE FOR RESPONSIBLE INVESTING (CRISA CODE)**

The Code for Responsible Investing in South Africa (CRISA) gives guidance on how the institutional investor should execute investment analysis and investment activities and exercise rights so as to promote sound governance.

There are five key principles:

1. An institutional investor should incorporate sustainability considerations, including environmental, social and governance, into its investment analysis and investment activities as part of the delivery of superior risk-adjusted returns to the ultimate beneficiaries.
2. An institutional investor should demonstrate its acceptance of ownership responsibilities in its investment arrangements and investment activities.
3. Where appropriate, institutional investors should consider a collaborative approach to promote acceptance and implementation of the principles of CRISA and other codes and standards applicable to institutional investors.
4. An institutional investor should recognise the circumstances and relationships that hold a potential for conflicts of interest and should proactively manage these when they occur.
5. Institutional investors should be transparent about the content of their policies, how the policies are implemented and how CRISA is applied to enable stakeholders to make informed assessments.

CRISA applies to:

- Institutional investors as asset owners, for example, pension funds and insurance companies

AND

- Service providers of institutional investors, for example, asset and fund managers and consultants.

**(Source: Institute of Directors of South Africa, Code for Responsible Investing in South Africa 2011)**

## **APPENDIX B**

### **THE UNITED NATIONS PRINCIPLES FOR RESPONSIBLE INVESTMENT**

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. The process was convened by the United Nations Secretary-General.

In signing the Principles, we as investors publicly commit to adopt and implement them, where consistent with our fiduciary responsibilities. We also commit to evaluate the effectiveness and improve the content of the Principles over time. We believe this will improve our ability to meet commitments to beneficiaries as well as better align our investment activities with the broader interests of society.

(Source: UNPRI Secretariat; [www.unpri.org](http://www.unpri.org))

## **APPENDIX C**

### **KGORI CAPITAL PROXY VOTING AND CORPORATE GOVERNANCE GUIDELINES**

#### **INTRODUCTION**

Kgori Capital views seriously its responsibility to exercise voting authority over securities which form part of our clients' portfolios.

Proxy statements contain material issues involving shareholder rights and corporate governance issues, among others, which deserve careful review and consideration.

Taking this into account, this Policy Document, in addition to the King Reports on Corporate Governance, is intended to provide guidance on how to vote on proxies on behalf of our clients' assets. It also intends to improve the levels of shareholder activism in an endeavour to add more weight to our clients' voice around the appropriate use of their capital by listed companies.



This Policy Document is divided into two components - Proxy Voting and Corporate Governance Guidelines.

Kgori Capital believes that the principles contained in both the Proxy Voting Guidelines and the Corporate Governance Guidelines are important considerations in order to further good corporate governance. However, Kgori Capital recognises that some of the 'Guidelines' may not be appropriate for every situation, due to a company's differing developmental stages, ownership structure, competitive environment etc.

#### **PROXY VOTING GUIDELINES**

##### **A. Board Composition & Directorship**

###### **i. Composition**

A Board should be of optimal size, with the requisite diversity of race, gender, experience and skill set. Where possible, Kgori Capital representatives should request & assess formal board charters to assess the primary directives governing the boards. While the former characteristics may be difficult to assess, peer comparisons should give a sense of what common practice may be.

###### **ii. Independent Directors**

Board membership should comprise a balance of executive and non-executive directors, with a majority of non-executive directors. The majority of non-executive directors should be independent.

Ideally, independent directors should have no material connection to the company other than a board seat. The following assessments should be made to assess independence;

- Experience and length of tenure. Serving more than 9 years on a board renders the director not independent.
- Financial interest. Material financial exposure renders the director to not be independent.
- Fit and properness.
- Meeting attendance.
- Related party transactions.

Kgori Capital supports resolutions that lead to an increase in the number of independent ("independence" as defined in King III) non-executive directors with a minimum of 25% of the board comprising independent non-executive directors and preferably leading to a majority of independent directors. Kgori Capital will default to a negative vote when it comes to the election of new directors that are not independent non-executives.

## **ii. Separate CEO and Chair positions**

Kgori Capital supports the election of an independent non-executive Chairman so that the Board represents the interests of shareholders, not executive management. The Chief Executive Officer should not also fulfil the role of the Chairman of the Board.

In a situation where the independence of the Chairman is questionable or impaired, the Board should appoint a lead independent non-executive director (LID), for as long as the situation exists. If the Board appoints a Chairman who is a non-executive director but is not independent or is an executive director, this should be disclosed in the integrated report, together with the reasons and justifications for the appointment.

## **B. Share Capital**

### **i. Placing unissued ordinary shares under the control of the directors**

Generally, Kgori Capital opposes resolutions that place unissued ordinary shares under the control of the directors, as any further issues would dilute existing shareholders. Any such actions should thus be limited to 10% of issued ordinary share capital and specifically motivated to shareholders through calling a general meeting on an on-going basis.

### **ii. Providing the directors the authority to issue shares for cash**

Generally, Kgori Capital opposes resolutions that provide directors the authority to issue shares for cash, as any further issues would dilute existing shareholders. Kgori Capital would want a separate resolution at the time of any further issue with the appropriate motivation provided by management, rather than providing management with a general control over the unissued shares.

### **iii. Authority to repurchase shares**

Kgori Capital acknowledges that share repurchases have the potential to result in earnings enhancements for a company. Generally, Kgori Capital supports resolutions that allow share repurchases but remaining cognisant of the impact on the "free float" of the company and where the share repurchase could have a material negative impact on liquidity.

### **iv. Dual Capitalisation, Preferential Voting Rights**

Kgori Capital opposes proposals to divide share capital into two or more classes or to otherwise create classes with unequal voting and/or dividend rights. Kgori Capital is concerned that the effect of these proposals, over time, is to consolidate voting power in the hands of relatively few insiders disproportionate to their percentage ownership of the company's share capital as a whole.

#### **v. Options**

Kgori Capital opposes proposals that allow for the re-pricing or issuing of options at a discount. Kgori Capital does however acknowledge that not re-pricing certain share option may not align the interests of management and shareholders and there may be instances in which shares may not be voted in strict adherence to this guideline.

The price at which shares are issued under a scheme should not be less than the mid-market price or volume-weighted average price (or similar formula) immediately preceding the grant of the shares under the scheme.

Kgori Capital also opposes the granting of loans for the exercise of options, the backdating of options and having schemes with duration longer than 7 years.

#### **vi. Dividend Policy**

Kgori Capital considers whether company management is adopting an appropriate and well-motivated dividend policy on a case-by case basis. The following issues relating to the payment of dividends are put under scrutiny:

- Whether dividend payment will put undue strain on cash resources and the capital base of the company, particularly with respect to material special dividend payments.
- Where no dividend is declared, reasons should be provided on whether this is justified based on the historical performance of the company.

#### **vii. Corporate Actions**

Kgori Capital regards our investments in listed companies on behalf of our clients as representing part ownership of the underlying businesses as represented by the shareholding. Where a company we hold shares in on behalf of our clients is subject to any corporate action, Kgori Capital supports resolutions that will maximise value for shareholders based on our assessment of the intrinsic value of the underlying business.

### **C. Environmental Issues**

#### **i. Environmental Hazards**

The public has a right to know whether a company uses substances that pose an environmental health or safety risk to a community in which it operates. Kgori Capital supports resolutions that ask for the adoption of a policy that makes information available to enable the public to assess a company's potential impact.





## **ii. Environmental Reports**

Kgori Capital supports resolutions asking companies to prepare general reports describing environmental management plans.

## **CORPORATE GOVERNANCE GUIDELINES**

### **A. Directors**

#### **i. Election/re-election of directors**

The procedure for the appointment to the board should be formal and transparent, a matter for the board as a whole assisted by the nomination committee and subject to the approval of the shareholders.

With respect to the election/re-election of directors, Kgori Capital considers:

- The effectiveness of the board as a whole.
- The past attendance record of directors.
- The age and tenure of directors proposed for re-election
- Knowledge and experience required to fill the gap
- Apparent integrity of the individual
- Prior to the appointment, the director's background should be investigated.

The nomination for re-election/ re-appointment of a director at the annual general meeting should not be automatic. It should only occur after the proper evaluation of the performance and attendance of the director in question.

#### **ii. Members of Kgori Capital having directorship on the Board of Listed Companies**

Kgori Capital believes that asset managers must preserve the independence and flexibility of their investment team and process. Therefore, they should not appoint investment team members to the boards of listed companies.

### **B. Remuneration**

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

Items that Kgori Capital considers include:

- Detailed disclosure of director and employee compensation, particularly where the company does not have a majority independent board.
- The independence of the Remuneration Committee and its recommendations
- Whether compensation is reasonable especially with respect to:
- Total compensation to CEOs per annum;
  - "Golden parachutes" for early termination of service, or if triggered by a takeover;
  - Executive severance pays (particularly where the company performance was poor during said executive's tenure).

Companies should adopt remuneration policies and practices for executives that create value for the company over the long term.

These should be:

- Aligned with the company's strategy
- Reviewed regularly
- Linked to the executive's contribution to the company performance.

The board must promote a culture that supports enterprise and innovation with the appropriate short term and long-term performance related rewards that are fair and achievable.

### **C. Appointment of Auditors**

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

### **D. Empowerment/Equality**

Kgori Capital encourages development of an employment equity plan and reporting on empowerment with specific focus on:

- Shareholders;
- Board of Directors;
- Executive and senior management;

### **E. King Report on Corporate Governance**

Kgori Capital supports the principles and intentions as laid down in the King III Report on Corporate Governance. Where issues arise that are not addressed or are insufficiently covered in this Policy Document, Kgori Capital will remain cognisant of the principles and intentions of King III Report on Corporate Governance.

\*\*\*\*\*END OF REPORT\*\*\*\*\*