Truffle Asset Management

Responsible Investing Policy

October 2025

Invest in the value of experience.

Contents

Truffle Asset Management's Responsible Investing policy sets out our approach to Responsible Investing as a South African asset manager. The policy includes our guidelines to incorporating Environmental, Social, and Governance (ESG) factors into our investment process.

Responsible investing approach

Truffle believes that investing for tomorrow's returns means investing with a responsible mindset.
The consideration of environmental, social, and governance (ESG) factors in our investment process enhances our ability to identify long term value and investment risks and in so doing, achieve optimal financial outcomes for our clients. Responsible investing is embedded into our valuation-based philosophy and rigorous investment process.

Truffle is a UN Principles of Responsible Investment (PRI) signatory, and we support the principles of the Code for Responsible Investing in South Africa (CRISA). Position statements on Truffle's alignment to PRI and CRISA, may be found in Addendum 3 to this document.

ESG in the investment process

ESG integration

Environmental, Social, and Governance (ESG) criteria have consistently been integrated into our investment analysis and process. From a practical perspective, ESG integration occurs within three areas of our investment process:

1. Research and initial screening

ESG analysis forms an important part of fundamental research and analysis, highlighting investment opportunities and risks related to specific ESG factors. Mitigating non-quantifiable risks due to exposure to suboptimal ESG outcomes plays a critical role in the pursuit of producing superior long-term sustainable returns. Generating superior investment returns is not only about finding winning opportunities, but also about avoiding companies which suffer a permanent destruction of value. By following a thorough ESG screening and integrative process, we can avoid investing in companies that exhibit these risks, and that have the potential to impair alpha generation in our funds.

During research and initial screening, our inhouse process typically starts off by looking at the three main ESG categories and determining the impact of each factor on the company's future profitability and earnings stream. We avoid exclusionary or negative screening as far as possible as our preference is to engage companies on ESG risk factors to achieve a positive outcome. For example, we would look at the impact of various E, S and G factors on cashflows.

ESG factors

Truffle recognizes the complexity and fast changing dynamics across the ESG landscape. We aim to distinguish which ESG factors will have an impact on company valuations and the sustainability of the environment and economy. We focus on factors with each category that are material to the operations and performance of the company. The following is a list of Environmental, Social and Governance factors we currently consider in our investment process:

Environmental issues	Social issues	Governance issues
Climate change strategy	Stakeholder relations	Board structure
Environmental policy	Working conditions	Independent Board Directors
Sustainability best practice	Supply chain management	Independent Board leadership
Environmental management practices	Health and safety conditions	Separation of Chairman and CEO
Pollution management	Product safety measures	Executive compensation
Water supply management	Collective bargaining	Shareowner rights
Sustainable transport	Labour relations, including relationship with unions	Accounting quality
Waste management	Community impact assessment	Audit quality

2. Valuations

ESG outcomes provide a window into the "values" of a company. These values often manifest in a company's long-term performance and their ability to add value to their broader stakeholders while maintaining the integrity of society and the environment. We believe that companies that exhibit strong ESG risk management will drive value in the long term. As a result, where possible, we try to allocate capital to those companies which exhibit strong ESG risk management and are trading at discounts to their intrinsic values.

We try to price ESG risks as far as possible, which means they are reflected in the calculation of a company's intrinsic value and shown as such on our ranking table measuring the relative attractiveness of a company. After adjusting for the potential impact from ESG factors on earnings we would then look at how to adjust for the other, non-quantifiable risks. This is done by adjusting the company's normalised future ratings. For example, we have applied a greater discount in some cases to incorporate the risks relating to governance concerns and environmental concerns.

3. Portfolio Construction

ESG is applied within portfolio construction. After adjusting our valuation models and ranking table according to our assessments discussed above, we also integrate ESG into the final step of our investment process, namely, in the portfolio construction process, where we risk weight the position.

Based on the materiality of the non-quantifiable/tail risks we have identified in step 1 and 2 we would determine the position size accordingly. This has been done in the past where we had a strong investment case for a company but had some ESG concerns that meant a smaller position than we might otherwise have had.

Fixed income integration

Our research on the fixed income side focuses on understanding the key drivers of default and permanent capital loss, which includes ESG factors. We integrate non-financial issues into the investment analysis and decision process. This analysis requires judgement. This has the same philosophy as equities but a difference in the practical approach.

The bond market is dominated by public entities – government and SOEs. We pay careful attention to governance risks here, since that could mean heightened risk of default. We carefully evaluate the terms of issuances and will draw on external legal opinions if needed.

Stewardship

We believe active ownership is critical to being good stewards of our client's capital. When sustainability concerns are identified through our research process, we would exercise active ownership through **proxy voting decisions and actions, and engagements with the company**.

Engagement

We believe that engagement is key to driving change and improvement in the ESG risks of listed companies. We prefer to engage on various ESG topics than outright exclusion or disinvestment in order to influence management boards to drive a positive outcome. Truffle's engagement framework informs areas of focus. This is based on materiality of the issue to the company, as well as whether there are signs that the issue might become an emerging risk in the investment horizon.

Once a specific ESG risk has been flagged by our screening and research process, we would start by verbally engaging with the company management team in question. We would aim to obtain a better understanding of the issue and endeavour to find an acceptable solution in the context of the risk. If we do not manage to achieve a satisfactory outcome, we hold a follow-up meeting with management with the objective of establishing common ground on the issue. Failing this, we then escalate the issue to the Company Board and Chairperson of the Board. In certain cases, we would look to collaborate with other asset management companies and business stakeholders to initiate change for the greater good. The frequency of and agenda for meetings are guided by our ESG framework. We make a point to follow up the ESG observations at each meeting ensuring we measure progress and update our models/ valuations and assessment of the company accordingly.

We keep a record of all other corporate engagements and industry collaboration on ESG issues which are available to clients on request.

Voting

As a responsible investment manager our primary aim is to ensure the achievement of superior risk-adjusted return in line with our clients' 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 integrity and quality of management 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 our clients.

Our approach to proxy voting draws on aspects of the King IV Code on Corporate Governance; the governance provisions in the South African Companies Act, 71 of 2008; and the listing requirements of the JSE.

We understand that our clients may have their own proxy voting policies and may wish to opt out of Truffle's proxy document. Where this occurs, we will put in place mechanisms to ensure adherence to the client's proxy voting policy.

All resolutions are looked at independently, whilst using this approach as a guideline.

All analysts conduct internal ESG research as part of their responsibilities and within the fundamental research framework. The analyst responsible for a particular stock is tasked with voting in alignment with our proxy voting guidelines (refer Addendum 2) unless it is deemed in the client's best interest not to follow a guideline.

Proxy voting procedures

The voting decision for each proxy vote is determined by the research analyst with decisions made in the context of what will best serve the long-term interests of the clients. The vote is then taken on the STRATE system. In some cases, where it is considered important to attend and vote at the shareholder meeting, a representative may be sent to execute the vote.

Collaboration and advocacy

Where we believe it will be in the best interests of our clients, and where we have exhausted our behind-the-scenes engagement with management, we will seek out opportunities to collaborate with other co-investors on material issues as a means to drive change. Where such collaborative efforts are undertaken, we will ensure that conflicts of interest and issues relating to 'acting in concert' are appropriately addressed.

Truffle prefers not to take a public stance when seeking change at companies. Our preference is to work constructively with the Board and management to achieve positive change. However, where no progress is made over an extended period of time, Truffle may, as a last resort, use the press and other public forums to drive change. We will normally notify a company in advance of briefing the media when taking this approach.

Reporting

Truffle publishes an annual Stewardship Report which is sent directly to clients/investors and made available on the Truffle website. This report outlines our Responsible Investing approach and provides an annual update on progress. The report also highlights several case studies to demonstrate how we incorporate responsible investing into our investment decisions
Click here: Truffle AM Stewardship Report

Proxy voting reports are updated quarterly and available on the Truffle website. The report or voting register contains all the votes for the quarter and the reasons for the voting decision.
Click here: Truffle Asset Management Proxy voting register

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Addendum 1: Climate change policy

This policy forms an addendum to the Truffle Asset Management Responsible Investing Policy and specifically outlines our approach to addressing the threats of climate change when investing our clients' capital.

Truffle Asset Management is an independent active asset manager with an experienced team of professional individuals, personally committed to ensuring our clients achieve their long-term financial objectives. Over the 16 years since inception, Truffle has grown assets under management to more than R90 billion. Our investment capabilities span equity, flexible, fixed income and multi-asset mandates, and our focused range of unit trust funds targets different investment objectives with exposure to varying levels of risk.

Truffle follows a fundamental valuation-based philosophy and disciplined investment process. This is coupled with a rigorous risk management approach and a strong focus on downside risk protection. We believe it is not only about picking winners, but also about avoiding the losers. As an agile investment manager, we complement this investment approach with efficient implementation and competitive fees.

Embedded in our investment process is a commitment to our clients to reach investment success responsibly. As responsible shareholders it is important to us that the companies we invest in are striving to advance environmental, economic, and social goals while they improve their competitive position. As a result, the collaborative movement towards the greater good is essential and this will ultimately be paid back in superior risk-adjusted returns for our clients.

Truffle Asset Management acknowledges that climate change is one of the most significant threats to the sustainability of our environment.

Truffle's approach to climate change is rooted in a rigorous and robust risk management framework that systematically assesses and addresses the risks and opportunities associated with the impact of climate change. By conducting thorough risk assessments, Truffle aims to identify potential climate-related impacts on investment performance and make informed decisions to mitigate risk while also developing engagement frameworks for each of our companies. Through leveraging a data-driven approach, Truffle incorporates climate risks and opportunities into its investment process to optimise returns while simultaneously promoting sustainable business practices and long-term value creation.

There are numerous global and national initiatives to transition the world to a low-carbon economy and slow the impact of climate change. We believe as stewards of our client's capital we have a fiduciary responsibility to invest for optimal financial outcomes while managing the risk and consequences of climate change. We therefore support a measured transition to a low-carbon economy, recognising the social aspect in developing markets like South Africa and the company or sector-specific implications.

We are a signatory of the UN-supported Principles of Responsible Investing (PRI). This policy considers the guidelines and principles laid out by the PRI with regards to environmental and climate issues as well as the principles of the Code for Responsible Investing in South Africa (CRISA). As a responsible asset manager, we believe the consideration of environmental, social, and governance (ESG) factors in our investment process enhances our ability to manage investment risks and identify opportunities as we aim to achieve optimal financial outcomes for our clients. We place a specific focus in this policy on the environmental factors relating to climate change. In recent years, the world has experienced significant economic and financial implications resulting from climate change events and this is expected to intensify going forward.

Truffle reports on material sustainability topics in our annual Stewardship report. The latest report is available on this webpage: Truffle Asset Management Stewardship

Sustainability disclosure frameworks, reporting standards and risk management processes are continually evolving. Truffle continually monitors the regulatory and reporting environment and will update our engagements and reporting in line with key developments.

Incorporating climate change into our investment process

Responsible investing is embedded into our valuation-based philosophy and rigorous investment process. We consider the impact of climate change throughout our investment process and specifically in the following areas:

1. Research

Truffle undertakes thorough fundamental research to identify investment opportunities. Our ESG analyst and equity analysts maintain research relating to environmental factors and specifically climate change. Research and data collection informs:

- Our understanding of climate change and the financial or economic implications.
- Updates on thematic changes and technology or product advancements. For certain sectors, it is important that we keep track of upcoming changes in technology, since these can impact the demand trajectory for certain products which would influence our investment thesis and how we measure or calculate the impact.
- An awareness of the regulatory environment and how we can support initiatives to combat climate change and importantly the implications of the regulatory environment on companies in which we invest. It is also important to understand where there are gaps in regulation that might lead to changes in product demand.
- An ongoing understanding of how companies in which we invest can adapt their business models to transition to a low carbon economy.
- A quantitative analysis and summary of a stock or sector's impact on the environment which feeds into our valuations.
- Company disclosures and commitments to climate change.

2. Incorporating climate change factors into valuations

Where the implication of climate change on a company or sector's operations or the cost of transitioning to a low carbon economy can materially impact the company's cashflows and other financial metrics, we will quantify such impact and include this in our valuations through the rating required or the company's cashflows. This process aims to capture risks to cashflows from factors such as carbon taxes, higher capital expenditure requirements for improving the company's carbon footprint, lower market size for their products in the forecast period if they produce something that is at risk in a low-carbon economy. It also includes capturing of opportunities such as a higher market size for a company's products in the forecast period should they produce something required in the low-carbon economy or any cost savings that might arise because of a reduction in emissions. Where we cannot quantify the impact of climate on the valuation, we will adjust active positions accordingly to take in account these unquantifiable risks.

3. Scenario Analysis and Stress Testing

As part of portfolio construction and risk management, Truffle conducts robust scenario analysis and stress testing for various macro-economic changes and events. This analysis will include an evaluation of the potential implications of climate change on portfolios under different climate scenarios.

4. Proxy voting

In an era of increasing regulation and changes to corporate strategy that support initiatives to manage the impact of climate change, company management teams are increasingly putting forward proxy voting resolutions that seek shareholder approval for their climate transition plans. We vote in favour of climate change resolutions that we think the company has the ability to action and achieve. We may vote against climate policies where the company provides insufficient detail on reaching defined targets and where incentives did not appear to support their targeted emission reductions. Where appropriate, we will also reinforce our view by voting against board members responsible for climate change. This will mostly be done in cases where there have been a number of targets missed by the company.

Addendum 2: Proxy voting guidelines

This section provides an overview of the general principles and guidelines that Truffle will apply when investing in companies as well as when voting. These guidelines draw on: The King IV Code on Corporate Governance; the governance provisions in the South African Companies Act, 71 of 2008; the listing requirements of the JSE, and CRISA. Truffle is also cognisant of the Principle of Responsible Investing (PRI).

Truffle 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 Truffle, its staff, officers, directors, or its associated companies.

Analysts and portfolio 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.

Where separate client proxy voting instructions are provided, Truffle will abide by client instructions

1. Board of Directors

Truffle assesses Board composition and responsibilities on a case-by-case basis, considering the circumstances of the company, its track record, and overall governance framework. We also take note of board effectiveness reviews that might be undertaken and the actions that come out of those.

Truffle supports the guidelines in King IV with regards to 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 and/or Terms of Reference for its various Board committees.

Truffle supports Board structures where the Directors can act in the best interests of the company, its shareholders, and other stakeholders in an inclusive manner, 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 their 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 can control or materially influence management and/or the Board;
- is not otherwise associated directly or indirectly with a substantial shareholder of the company; and
- any other criteria in terms of applicable legislation.

Truffle will consider supporting the election of a director where the term of service is over 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; and
- the Independent Directors undergo an annual evaluation of their independence by the Chairman and the Board.

Role of CEO and Chairperson

Recognising the importance of a Board structure where power and authority is not vested in one person, Truffle will, subject to the second bullet point below, vote against proposals where the role of 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, Truffle may vote for a combined role in listed companies after taking the following into consideration:

a. overall governance structures of the Board.
b. a majority of independent Board members with clearly delineated and comprehensive responsibilities.
c. establishing that members of the key Board committees are all independent.

- Truffle will generally vote against:
  a. a proposal that the Chief Executive Officer move into the position of Chairperson following his/her retirement.
  b. Board structures and Director nominations that will permit a concentration of power to vest in the hands of a small quorum of Directors.
- Truffle will generally vote in favour of:
  a. Boards that are comprised of a majority of Independent Directors (the principles of independence outlined above are applicable here).
  b. Board committees that reflect a level of diversity in terms of skills, race, and gender representative of the social transformation agenda of the country.

Election of Directors

Truffle 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. Truffle, given the circumstances, will decide on the appropriate limit to the number of Board positions held by a director given their specific circumstances to ensure that the individual can satisfactorily fulfil their duties to each particular company.

Truffle will not support a full-time Executive Director of a JSE-listed company holding more than one non-executive directorship (excluding directorships of subsidiary companies).

Votes on Director nominees are 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, and
- any other relevant factor pertaining to the nominee.

Truffle will vote against nominations where:

- A director has attended less than 75% of Board and committee meetings unless there are good reasons for this, and
- Nominees have implemented or renewed any ‘poison pill’ provisions.
- Truffle will not support the nomination of Non-Independent Non-Executive Directors to the Audit, Remuneration or Nomination Committee.

Truffle will vote against nominations which will cause the Board to have only a minority of Independent Directors.

Truffle 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.

Truffle will vote against proposals that provide that only continuing Directors may nominate replacements to fill Board positions. Shareholders must elect replacements for vacant Board positions.

Truffle 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),
- proposed role on the Board,
- possible conflicts of interest, and
- fulfilment of specific industry compliance requirements.

Truffle 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.

Truffle will 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.

Truffle will vote against the re-election of any Director who has dealt in the company securities during a closed period.

Shareholders are ultimately responsible for electing or removing Board members, and it is in their interest that the Board is properly constituted. Truffle will thus support changes to the Memorandums of Incorporation which ensure that both Executive and Non-Executive Directors retire by rotation.

Board size

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

Board responsibilities, function, and performance

Truffle supports companies where the Boards have a formalised and systematic process of assessing and evaluating the performance of the Board, its committees and individual Directors. Consequently, Truffle will 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. Truffle will 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

Truffle will vote against proposals to eliminate Directors' and Officers' liability for damages for violating a duty of care. Truffle will generally vote against proposals that extend indemnification for Directors for acts such as gross negligence, fraud, and breaches of fiduciary duties.

2. Remuneration of Directors

General principles

Truffle expects the Board to maintain a Remuneration Committee that is responsible for the direction and oversight of the company's Executive remuneration programme and for regularly evaluating the performance of senior management. To be effective and avoid conflicts of interest, this Committee must be made up of majority Independent Directors with company Executives attending by invitation as required. Directors who are Chief Executive Officers of other companies should not sit on the Committee. Members of this Committee should not be nominated or selected by management.

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.

Remuneration policy

Director remuneration should be sufficient and appropriate to incentivise and retain excellence in the companies Truffle invests 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, Truffle 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 excuse themselves when their remuneration is under consideration. Contrary proposals from issuers will not be supported.

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.

Base pay and bonuses

<u>Executive remuneration</u>
The majority of Executive remuneration should be 'at risk' and be linked to both business targets, as well as 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, and the reasons for setting such targets should be disclosed to shareholders. Truffle will not consider supporting a short-term incentive scheme where the maximum incentive is uncapped unless a clear motivation and full disclosure on the performance requirement is presented in the remuneration report. Upper limits of such schemes should be capped as a percentage of basic remuneration.

Non-Executive remuneration

Fees for Non-Executive Directors should be proposed to shareholders for their approval on an annual basis. Explanations for the resolutions provided in the notice of the meeting should clearly indicate the quantum of fees proposed for the Chairman, the Deputy Chairman, Lead Independent Director, the Chairman of the Board committees, members of the committees, and Directors.

Truffle will support Non-Executive Directors being paid an attendance fee and will support individual Director's fees reflecting attendance levels, as well as participation on Board committees. Share options for non-executives will not be supported as Truffle is of the view that it compromises their independence.

In exceptional circumstances, and only once alternate strategies have been explored and rejected, Truffle 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 empowerment 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.

Employment contracts, severance and retirement benefits

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- and long-term incentives may, however, be paid on a pro rata basis.

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.

Share-based and other long-term incentives

Truffle will generally not support repricing or 'surrender and re-grant' of underwater share options.

Truffle will not support share option schemes where the vesting periods are less than three years, and the Directors have unrestricted discretion with regards to the shortening of vesting periods. Vesting periods may only be shortened in respect of retirement, retrenchment, death or change of control of the company. If the share scheme rules do not provide for a limit on the Director discretion, this must be confirmed in writing by the issuing company.

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

Remuneration disclosure

Truffle supports companies that enhance their disclosure. In line with best practice, remuneration disclosure should contain details on the following:

- disclosure of Directors' interests, including a director who has resigned during the reporting period.
- disclosure of individual Directors' remuneration and benefits, including those of any Director who has resigned during the reporting period.
- basic salary, bonuses and performance – related payments and sums paid by way of expense allowance.
- charts comprising company performance and CEO pay.
- any other material benefits received, with an explanation as to what this includes.
- contributions paid under any pension scheme.
- any commission, gain or profit-sharing arrangements.
- detail regarding share options including assumptions made in calculations.
- detail regarding remuneration consultants and fees paid.

- composition of the Remuneration Committee.
- a statement indicating votes cast in relation to remuneration at the last AGM - this statement should include reasons for substantial votes against, and actions taken in response.

3. 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 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 disseminated to all stakeholders simultaneously, where possible.

A company's Audit Committee should determine whether a company's interim results should be audited.

Truffle will vote for proposals to approve financial or Directors' reports only if the reports are available to all shareholders before the shareholders' meeting.

We will vote in favour of a resolution to approve the annual financial statements of a company where we consider the annual financial statements to be a fair reflection of the company's financial position for the period. In considering its vote, Truffle will assess whether there has been an audit qualification for the period and whether there has been any material omission of information. Should Truffle not approve the annual financial statements of a company for whatever reason, it will provide an explanatory note outlining its rationale for declining to approve the annual financial statements.

4. 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 to consider 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 Audit 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 the Audit Committee has complied with its Terms of Reference and the way it did so, and shareholders should be able to obtain a copy of the current Terms of Reference of the 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

Truffle will vote for proposals to create Audit Committees in which all the members are independent. Truffle will vote against individual Directors who are not independent and sit on the Audit Committee.

<u>Auditing and non-auditing services</u>
The Board of Directors should have an Audit Committee that is responsible for oversight of the annual external audit of the company. 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.
Truffle will support the rotation of audit firms on a 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.

5. Empowerment Transactions

Principles for broad-based black economic empowerment (B--BBEE) transactions

Truffle will support proposed B-BBEE transactions which have a good investment case.
We will support B-BBEE transactions that create meaningful long-term and on-going B-BBEE participation in the company. This will be evaluated on a case-by-case basis and will focus on mechanisms employed to ensure long-term sustainability of the B-BBEE arrangement. Such mechanisms could include but are not limited to minimum lock-in arrangements, limitation on selling of B-BBEE equity etc. As a minimum, Truffle is supportive of B-BBEE transactions that have a minimum of a seven-year lock-in, with a further requirement that sale of equity can only be undertaken to suitably qualified B-BBEE parties.

Truffle recognises that B-BBEE is an important social and business imperative and that B-BBEE transactions are important to the success of the companies in which the Truffle Group invests. We acknowledge that we have a duty to our clients to act in their best interests in evaluating such transactions. Truffle expects that companies will demonstrate the benefits of such a transaction and calculate and disclose the economic implications thereof and impact on key financial metrics. Any economic cost will include the cost of any discount to the market price of shares issued or sold to the B-BBEE 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. Truffle 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 B-BBEE scheme and selection of 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 B-BBEE deal. Truffle expects management to clearly justify the structure and composition of the B-BBEE deal.

Truffle favours B-BBEE 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 B-BBEE transaction is put in place partly to meet B-BBEE 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 legislative or charter requirements, or where insufficient comfort is provided to shareholders that it does meet such legislative or charter requirements, is likely to be rejected in the absence of other strong reasons, which must be motivated by the company. Such legislation or charter may have certain ownership targets in the future, and Truffle would therefore need to gain comfort on the extent to which the transaction meets both current and future requirements.

Principles applying to B-BBEE 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. Truffle 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 evaluating 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, Truffle favours B-BBEE 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 B-BBEE transaction is not broad-based and there is a cost to the company with regards to the transaction, Truffle would expect such empowerment partners to provide a capital commitment upfront that is material in the context of the B-BBEE deal and the empowerment partner's financial position. Truffle also expects that such partners have suitable performance conditions for the company and suitable arrangements, including lock-ins and restrictions around competing ownership. Truffle 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 Truffle would not expect such further conditions as outlined in the third point above to be imposed.

6. 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

Truffle will vote against a resolution that enables the Directors to control a portion of the unissued shares (that is over 10%) and view these resolutions on a case-by-case basis, or other voting instruments as defined in terms of relevant legislation, in the share capital of a company of the issued shares and/or other voting instruments in the share capital of the company, cumulatively in any financial year. Truffle, in making the above determination, does not distinguish between issued share capital exchanged for cash or for shares in another company as the delusionary effect is equivalent.

7. Shareholder Matters Relating to Capital Management

Dividend policy

Should a company in which Truffle has invested declare a dividend, Truffle will investigate the rationale behind the declaration as well as analyse the effect that such dividend may have on the capital structure and liquidity status of a company, if paid to shareholders. Thus, Truffle will consider the reasons given by a company for the declaration of a dividend and determine its voting position given the circumstances.

Capitalisation issues

Truffle will consider the share capital structure before and after such an issue; and form a view as to if it is in favour of such an issue, given the circumstances and possible alternatives that may be available to its clients - for example, the issuing of dividends.

Odd lot offers

Truffle 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 the company; and provided that the company has the requisite authority to conduct such offers and such offers are at least at market prices.

Share splits and consolidations

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

Reduction in capital

Truffle 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 after such a reduction, all legislative and regulatory requirements are met by the company.

Issuing shares for cash

Truffle 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, Truffle will review proposals to issue shares for cash on a case-by-case basis. We will generally not support the proposal to issue shares for cash.

Preferential voting rights/dual capitalisation

Truffle does not support the introduction of preferential voting rights/dual capitalisations regarding a company's share capital. However, should a company have such structures in place, then Truffle will 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.

8. Share repurchases

Truffle is of the view that share repurchases are an efficient and effective means of returning cash 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 and will be viewed on a case-by-case basis;
- 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; and
- the share repurchase proposal is in Truffle 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.

9. Changes to Memorandum of Incorporation

Introduction of new share classes

Truffle, in considering whether 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), will in each circumstance determine if such a split will be in its clients' best interests.

We will furthermore assess a company's commercial reasons for proposing such a resolution.

Changes in Board composition

Truffle 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 will consider whether such an amendment will be in its clients' best interests given the circumstances. We will also consider the appropriateness of such an amendment considering both South African and international codes of best practice and its internal corporate governance policy. We will not support changes to Memorandum of Incorporations that explicitly state that only Non-Executive Directors should retire by rotation.

Directors' indemnification

Truffle will assess the wording of such resolutions that amend a company's Memorandum of Incorporation with 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; and
- any other relevant factors.

Borrowing powers of Directors

Truffle 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 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 regarding 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.

10. Political donations

Truffle will not support any resolution for contributions to be made to political parties.

Addendum 3: CRISA and PRI principles: positioning statements

Statement on CRISA 2.0

At Truffle Asset Management we take our fiduciary responsibilities as stewards of our clients' capital seriously. As long-term investors this includes taking responsibility for engaging with investee companies and holding them responsible, not only for their financial performance, but also their performance on environmental, social and governance (ESG) issues. As evidence of this commitment, we affirm our commitment as a signatory to the United Nations-supported Principles for Responsible Investment (PRI). We also support the CRISA principles and implement them as part of our investment process, as set out below.

Upholding the CRISA principles forms part of our broader ESG process and is the responsibility of the Chief Investment Officer, who reports to the Board of Directors. No responsibilities are outsourced to service providers; however external inputs do comprise part of our ESG process.

The 5 principles of CRISA and our application thereof are as follows:

Principle 1: Integration of environmental, social and governance factors

Investment arrangements and activities should reflect a systematic approach to integrating material environmental, social and governance (ESG) factors.

ESG principles are incorporated into our investment activities at several levels:

1. Research and screening: material ESG risks are highlighted at a company, sector, and region level
2. Valuation model: appropriate adjustments are made to our valuation models, which then feeds into our view of the company on our ranking table
3. Portfolio construction: where there are increasing ESG risks above what we have incorporated into valuation models, we will reflect that through limiting our exposure.

Principle 2: Diligent stewardship

Investment arrangements and activities should demonstrate the acceptance of ownership rights and responsibilities diligently, enabling effective stewardship.

We take our fiduciary responsibilities, as owners of companies on behalf of our clients, very seriously. This is reflected through our active proxy voting programme and our ESG Policy which guide the application of sustainability considerations into our investment decisions. We also engage with investee companies on ESG issues which are highlighted in our process.

We summarise our stewardship activities in our Stewardship Report on an annual basis. Our voting recommendations to clients are published on our website on a quarterly basis.

Principle 3: Capacity building and collaboration

Acceptance and implementation of the principles of CRISA 2 and other applicable codes and standards should be promoted through collaborative approaches, as appropriate, and targeted capacity building throughout the investment industry.

We support this principle and are prepared to collaborate with other shareholders in investee companies to hold management teams to account where ESG responsibilities are not being met. We have in fact collaborated with other investors in the past on ESG issues.

Truffle is a signatory to the PRI, and this presents opportunities to engage collaboratively. Where material, we report our engagement activity, including collaborative efforts when applicable, in our Stewardship Report on an annual basis. Contributions to policy development and noteworthy client or industry initiatives are also noted.

Principle 4: Sound governance

Sound governance structures and processes should be in place (including at all levels of the organisation) to enable investment arrangements and activities that reflect and promote responsible investment and diligent stewardship, including proactively managing conflicts of interest.

Oversight of the firm's responsible investment activities lies with Truffle's board of directors. The chief investment officer (CIO) is ultimately responsible for the proper implementation of the relevant policies. We highlight responsible parties in our Policy on responsible investment. Truffle Asset Management has a Conflict-of-Interest Management Policy available on our website which each new employee is apprised of and required to read to inform them of their obligations. Our responsible investment policies are reviewed on an annual basis to ensure they remain aligned with best practice and regulatory expectations.

Principle 5: Transparency

Investment organisations should ensure disclosures are meaningful, timeous and accessible to enable stakeholders to make informed assessments of progress towards the achievement of positive outcomes.

We have made the following publicly available on our website at www.truffle.co.za:

- ESG and proxy voting policy
- Proxy voting history
  Stewardship report – contains a summary of our stewardship activities

Statement on PRI Principles

Truffle has been a signatory to the United Nations supported Principles for Responsible Investment (PRI) since 2024. The PRI is an independent nonprofit that encourages investors to use responsible investment to enhance returns and better manage risks. For more information see the About PRI page of the organization's website.

As a signatory, Truffle has committed to the annual effort of supporting PRI's aspirational and voluntary principles, where consistent with our fiduciary duties.

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.

ESG principles are incorporated into our investment activities at several levels:

1. Research and screening: material ESG risks are highlighted at a company, sector, and region level
2. Valuation model: appropriate adjustments are made to our valuation models, which then feeds into our view of the company on our ranking table
3. Portfolio construction: where there are increasing ESG risks above what we have incorporated into valuation models, we will reflect that through limiting our exposure

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

We take our fiduciary responsibilities, as owners of companies on behalf of our clients, very seriously. This is reflected through our active proxy voting programme and our ESG Policy which guide the application of sustainability considerations into our investment decisions. We also engage with investee companies on ESG issues which are highlighted in our process.

We summarise our stewardship activities in our Stewardship Report on an annual basis. Our voting recommendations to clients are published on our website on a quarterly basis.

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

As part of our engagement with investee companies, we seek to ensure that we fully understand the risks we are exposed to. This includes ensuring companies are reporting adequately on those risks, in line with global and local best practice.

Where it makes sense for the particular company, we also support shareholder resolutions that promote ESG disclosure.

Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.

We contribute to the development of ESG tools for the industry, including the ESG platform that we use. Contributions to policy development and noteworthy client or industry initiatives are also noted.

Principle 5: We will work together to enhance our effectiveness in implementing the Principles.

We support this principle and are prepared to collaborate with other shareholders in investee companies to hold management teams to account where ESG responsibilities are not being met. We have in fact collaborated with other investors in the past on ESG issues.

As a signatory to the PRI, there are opportunities to engage collaboratively. Where material, we report our engagement activity, including collaborative efforts when applicable, in our Stewardship Report on an annual basis.

Principle 6: We will each report on our activities and progress towards implementing the Principles.

We have made the following publicly available on our website at www.truffle.co.za:

- ESG and proxy voting policy
- Proxy voting history
- Stewardship report – contains a summary of our stewardship activities

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