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13 March 2013

Dear Ms. Ramalho and Mr. Burke,

We are writing to you on behalf of the undersigned investment institutions following the recent publication by the Institute of Directors in Southern Africa (IoDSA) and the Johannesburg Stock Exchange (JSE) of the Practice Note that provides guidance to South African issuers on the retirement by rotation of executive directors. Collectively, we represent over $2.4 trillion of assets.

We think the Practice Note is a well-drafted and thoughtful analysis, and makes clear your reasoning as to why executive directors should not face regular re-election in the same way as non-executive directors. We understand your views that re-election of executive directors by shareholders has the potential to interfere with sound corporate governance, and that the board should be solely responsible for appointing company executive management.

However, we remain unconvinced by the arguments put forward in this Practice Note. As long-term equity investors with many years of experience investing in companies around the world, it is our view that all directors, executive and non-executive, should be elected by shareholders and should stand for re-election at regular intervals in order to ensure that the board retains an open and critical perspective. This is a fundamental issue of accountability that should not be diluted. We believe it is highly inappropriate to differentiate between executive directors and non-executive directors in terms of their appointment as directors, inasmuch as all directors share the same fiduciary responsibility to promote the long-term success of the company – ultimately for the benefit of shareholders who elect them. Executive directors do not warrant special protections. It is our view that failure to ensure that executive directors retire by rotation alongside non-executive directors would weaken the accountability of the board to its shareholders and ultimately lead to a

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reduction in shareholder rights and good governance. We also believe that buffering executive directors from election by shareholders has the potential to alter the balance of power on the board, skew board dynamics and would negatively differentiate South Africa from other markets with a strong commitment to good corporate governance.

We endorse many aspects of the King III governance code, in particular its recognition that companies must have regard to the interests of key non-financial stakeholders, as well as shareholders, to promote long-term sustainability and value creation. In this context, we note that shareholders must exercise their rights responsibly, both in voting at shareholder meetings and engaging with companies. We would agree that it is not appropriate for shareholders to seek to micromanage a company, and that voting against executive directors is a last resort. As institutional investors seeking to promote success in the companies we invest in, we will favour company engagement in the first instance.

We also appreciate the concerns about the potential for disruption, expressed in terms of the "unintended consequences" in the Practice Note. However, given past experience over many years of investors voting at annual general meetings in markets around the world, we would suggest that under normal circumstances the probability of such unintended consequences is remote. In those unusual situations where an investor vote might challenge an executive manager's position on the board we believe that the company's non-executive directors are also likely to share similar concerns – or at least should be aware of investor concerns. It is important to remember that investors not only have the ability to signal discontent with a company's executive management through director elections, but they also can signal their satisfaction.

Having made these points clear to a number of South African issuers in 2012, we believe that many investors will continue to vote against resolutions to adopt or amend a memorandum of incorporation (MOI) that would not provide for the re-election of executive directors in 2013.

We hope this letter helps you to better understand our position and our concerns about this issue of re-electing executive directors, and would be happy to discuss this with you further.

Yours sincerely,

George Dallas
Director, Corporate Governance
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