RESPONSIBLE INVESTMENT (RI) POLICY

Policy Title	Responsible Investment Policy
Inception Date	April 2011
Latest version	July 2020
Reason for Review	Periodic
Policy Owner	Johan De Kock
Approved By	Key Individuals

Preamble

Vunani Fund Managers [VFM] acknowledges that Responsible Investing (RI) is best practice whereby investors can understand investments' risks and opportunities by evaluating the **Environmental, Social** and **Governance (ESG)** factors of investee companies. Please note that in the below policy, the word 'share' is to be used interchangeably with 'unit', 'preference share', 'warrant', 'debenture' and 'bond'.

Philosophy

VFM accepts responsibility to ensure that we invest and manage our clients' investments in a responsible and sustainable manner. Our duty as investment managers is to consider all relevant information and make informed decisions. Investing responsibly implies that over and above the financial analysis, we need to be aware of and value the ESG risk factors influencing each investment we consider. We are guided by the UNPRI, King IV code of Corporate Governance, CRISA, Pension Funds Act 24 of 1956 and similar international codes to implement responsible investment. Given that CRISA is a South African code developed for South Africa we follow and implement CRISA within our investment processes.

The UN Sustainable Development Goals (SDGs) in 2015 has made clear that the global community of countries relies heavily on the private sector to solve some of the most urgent problems the world is facing. The UNPRI advocates that investors contribute to the achievement of SDGs through their investment. ESG analysis and engagement with investee companies/institutions can contribute to South Africa reaching its Sustainable Development Goals.

We do not believe that it is sufficient or possible to eliminate ESG risk from our clients' portfolios but rather that we should manage these risks in a responsible manner. The South African economy and society is a product of its history and structure. As a result, we have a carbon and water intensive economy that is not necessarily sustainable in the long term. The structure of our society also has its roots in history and, as a result, investors need to be aware of the risk companies face. Companies need to manage these risks to the benefit of all stakeholders. Our approach to ESG is to analyse ESG risk and engage companies to manage these risks.

We believe that good ESG practice by companies reduces the cost to the economy over time. This will add value over the long term. ESG risks, if not addressed, tend to be skewed to the downside. Investors often underestimate ESG risk with very negative consequences to their returns when the costs thereof become evident. The example of British Petroleum (BP) cutting corners on safety and maintenance in the Gulf of Mexico cost investors and the environment dearly during the oil spill. Only a thorough analysis of maintenance and safety procedures and records would have alerted investors to the risk. Similarly, it was difficult to steer clear of some of South Africa's corporate failures through just focussing on financial analysis. JCI, Macmed, Leisurenet, Steinhoff, the Marikana incident involving Lonmin and the tailings dam failures at Sanmarco (a joint venture with BHP Billiton) and Vale would have been difficult to predict with financial analysis alone. Client mandates do not have to expressly state that we should perform ESG and sustainability analysis when investing clients' funds; it is our fiduciary duty to incorporate ESG factors as part of the overall investment risk analysis.

Incorporating ESG factors into our investment process

1. We **incorporate** sustainability considerations, including ESG, into our investment analysis and activities. We will adopt a cautious approach if our analysis indicates a large unquantifiable risk. The steps we follow to incorporate ESG into our investment process are as follows:
   - Use company integrated reports and other data service providers (Bloomberg and Peresec or any other reliable data provider) to identify ESG risks and reporting scores.
   - Analyse the ESG risks.
   - Value investments incorporating scenarios analysis considering different ESG risks and opportunities.
   - ESG risk are manage on a portfolio level to diversify risk.

2. We accept our ownership responsibilities as investment managers **by voting** in person or in proxy at all company meetings. Our voting policy guides us to voting consistently across companies, but we accept that effective governance is more than just voting according to a policy. We do not follow a tick box approach to governance but consider each case on its own merits. (Please refer to our **Proxy voting policy**)

3. We **engage,** where appropriate, the directorate and management of companies in which we are invested to address our concerns. Our engagement process involves:
   - identification of serious ESG risks.
   - analysis of those ESG risks.
   - engaging management through a normal/scheduled meeting.
   - writing a formal letter to management if the issue is not addressed through a normal meeting.
   - writing a letter (after the above has failed to deliver results) to the Chairman of the Board, Board or Chairman of the Sub-committee that needs to address the issue.

4. While we do not believe we can manage companies better than the directors or management, we can identify some risks, concerns and weaknesses in companies. If we cannot resolve concerns regarding an investment after engaging with companies, we may collaborate with other shareholders to raise our joint concerns. We will consider a collaborative approach to promote acceptance and implementation of the principles of CRISA and other codes and standards applicable to institutional investors. We follow the UNPRI Collaborative engagement guidelines when we need to collaborate with other investors.

5. We are active stewards of the investments we make on behalf of our clients, and we incorporate ESG factors into our ownership policies and practices across all asset classes. As a result, we engage issuers in order to understand the issuer disclosures relating to ESG factors, and to influence how an issuer addresses specific ESG risks. By engaging with issuers, we believe that we encourage behaviour designed to raise ESG awareness and drive sustainable returns. We encourage issuers to disclose ESG risk and targets to mitigate these risks.

6. We keep records and report to our clients and on our website on the following:
   - our assessment of ESG risks and how we incorporate ESG risks into our investment process.

- our voting records reasoning for voting in a particular way.
- our engagements with company management.
- our Investment/ESG/conflict of interest policies and efforts in achieving Responsible investment targets
- Our collaboration efforts with other shareholders.
- We publish our CRISA responsible investment statement on our website

7. We promote awareness of sustainability issues when we engage companies, clients and other stakeholders. We promote ESG and sustainability by:
    - expecting companies to report and disclose a range of ESG indicators like safety, staff turnover, carbon emissions, water use.
    - attending ESG related forums to discuss ESG issues.
    - reporting to our clients and stakeholders on ESG matters.
    - Committing to managing VFM on a sustainable basis.

8. We bear responsibility to our clients to recognise the circumstances and relationships that hold potential for conflicts of interest and proactively manage these when they occur. VFM is fully committed to:
    - complying with all applicable laws and promoting international best practice, including those laws and international best practice standards intended to prevent extortion, bribery and financial crime.
    - exhibiting honesty, integrity, fairness and respect in all its business dealings.
    - dealing with regulators in an open and co-operative manner.
    - prohibiting all employees from making or receiving gifts of substance in the course of business.
    - prohibiting contributions to political parties or political candidates, where these could constitute conflicts of interest.
    - prohibiting the making of payments as improper inducement to confer preferential treatment.
    - using information received from its principals in the best interests of the business relationship and not for personal financial gain by any employee.
    - clearly defining responsibilities, procedures and controls.
    - promoting transparency and accountability grounded in sound business ethics.
    - identifying conflicts of interest and avoiding or reporting these in line with its agreements with stakeholders and industry best practices.
    - properly recording, reporting and reviewing financial and tax information.
    - using effective internal control and risk management covering all significant issues, including environmental, social and ethical issues.
    - Making every effort to meet stakeholders’ expectations, facilitating their access to information and providing it to them.

Governance of Responsible Investment

We assign the following ESG responsibilities:

Approval of RI policies	Key Individuals of Vunani Fund Managers
Incorporating RI into investment decisions	CIO in conjunction with Investment Team
Voting on company resolutions	Investment team
Engagement with companies	CIO and Investment Team
Collaborative engagement	CEO, CIO and Portfolio Managers
Management of conflicts	Compliance
Record Keeping and reporting	CIO and Investment Team
Promoting ESG/RI	Investment Team
Reporting on ESG/RI	CIO and Investment Team