

RESPONSIBLE INVESTMENT (RI) POLICY

Policy Title	Responsible Investment Policy
Inception Date	April 2011
Latest version	November 2022
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. We believe we need to invest in such a manner that it creates a positive outcome to all participants and stakeholders in the financial ecosystem. 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. As signatories to the UNPRI and follow the principles of the UNPRI and CRISA in managing clients' funds.

The UN Sustainable Development Goals (SDGs) published 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 investments. ESG analysis and engagement with investee companies/institutions can contribute to reaching the SDGs. 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. Balancing immediate societal needs with long term environmental requirements is a difficult endeavour for companies and institutions. As custodians of our South African clients' funds, we need to balance the imperative of cleaner energy with the social impact of such a change on South Africa within a global investment universe. By divesting from high carbon intensive

P O Box 44586, Claremont, 7735

1st Floor, 5 Cavendish Street, Claremont, 7708, Cape Town

T (021) 670 4900 | F (021) 683 5788 | E info@vunanifm.co.za | W www.vunanifm.co.za

Registration Number: 1999/015894/07. Non-Executive Directors: N Chonco, E Dube

industries, we don't encourage the necessary change and some of these assets can find their way into private hands. Our approach is to engage and encourage companies to be responsible owners of carbon intensive assets.

Institutions and companies that report and manage non-financial risk will perform better financially, over time, than those that refrain from reporting and managing these risks.

Incorporating ESG factors into our investment process

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. We classify potential ESG risk according to the possible impact and the probability of the risk eventuate to determine the most important ESG risk of an investment. The high impact, high probability ESG risks are analysed further and incorporated into our valuations. Valuations will be impacted by either cashflow impacts or higher discount rates to consider possible risks. We will exclude (negative screening) certain institutions and companies when ESG risk is very large.

1. 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**)
2. Where appropriate, we engage 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.
3. 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.
4. 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.

5. We keep records and report to our clients via 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

We will report on our ESG activities to the UNPRI.

6. 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.
 - encourage companies to report their carbon reduction targets and plans according to international recognised standards such as the TCFD (UK standard) or SFDR (European standard)
 - 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.
7. 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 doing 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