

Vunani Fund Managers

Responsible Investment Policy

Inception Date

April 2011

Reason for Review

Periodic

Policy Owner

Johan De Kock

Approved By

Key Individuals

Date approved:

April 2024

This version replaces all previous versions of the policy

Preamble

At Vunani Fund Managers, we recognize the importance of aligning our investment activities with our values and commitment to sustainability, ethics, and social responsibility. This Responsible Investment (RI) Policy outlines our approach to integrating environmental, social, and governance (ESG) factors into our investment decision-making process. Vunani Fund Managers as a signatory to United Nations supported Principles for Responsible Investments (UNPRI). 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'.

Purpose

The purpose of this policy is to:

- Articulate our commitment to responsible investment practices.
- Provide guidance to investment professionals, and stakeholders on integrating ESG considerations into investment decisions.
- Ensure that our investment activities contribute to sustainable, long-term value creation while mitigating risks associated with ESG factors.

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, we follow the principles of the UNPRI and CRISA in managing clients' funds. We don't exclude any of our funds from this policy.

We are committed to promoting biodiversity conservation, upholding human rights, impacting society positively and influencing climate change through our investment practices. We will prefer investments that contribute positively to the environment and society. Upholding human rights is fundamental to ethical business conduct and sustainable investment practices. We are committed to respecting and promoting human rights throughout our investment portfolio and supply chain. Similarly preserving nature and biodiversity is critical for maintaining ecosystem health, resilience, and the long-term sustainability of human societies. Our responsible investment approach recognizes the intrinsic value of nature and seeks to minimize negative impacts on biodiversity while promoting conservation and sustainable land use practices.

In line with our commitment to responsible investing, we prioritize specific Environmental, Social, and Governance (ESG) factors for stewardship activities based on their significance, materiality, and potential impact on long-term value creation. Our prioritization framework includes the following criteria:

1. **Materiality:** We assess the materiality of ESG factors to our investment portfolios and the industries in which our investees operate. Factors that have a significant impact on financial performance, reputation, and stakeholder value are given higher priority for stewardship activities.
2. **Relevance to Stakeholders:** We consider the interests and concerns of our stakeholders, including investors, employees, customers, and communities, in prioritizing ESG factors. Factors that are important to stakeholders and have the potential to influence their perceptions and decisions are prioritized for engagement and advocacy.

3. **Risk and Opportunity Assessment:** We evaluate the risks and opportunities associated with different ESG factors, including regulatory developments, market trends, and emerging issues. Factors that pose significant risks or present opportunities for value creation are prioritized for proactive engagement and collaboration with investee companies.
4. **Global Sustainability Goals:** We align our stewardship priorities with global sustainability goals, such as the United Nations Sustainable Development Goals (SDGs) and the Paris Agreement on climate change. Factors that contribute to achieving these goals, such as climate action, social equity, and responsible governance, are prioritized for our stewardship efforts.
5. **Investment Thesis Alignment:** We ensure that our stewardship priorities are aligned with our investment thesis and objectives. Factors that are closely linked to our investment strategy and long-term performance goals are given priority for engagement and advocacy activities.

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. When we evaluate investment opportunities, we consider a range of factors, including but not limited to:

1. **Environmental Performance:** Assessment of carbon footprint, resource usage, and environmental management practices.
2. **Social Impact:** Evaluation of labour practices, human rights, diversity and inclusion, and community engagement.
3. **Governance Practices:** Examination of board diversity, executive compensation, shareholder rights, and business ethics.

We evaluate investments not only their demonstration of a strong commitment to environmental sustainability but also upholding human rights principles. This includes ensuring that investee companies respect and promote human rights throughout their operations and supply chains. By incorporating human rights considerations into our investment decision-making process, we aim to support companies that not only deliver financial returns but also contribute to the advancement of human rights globally. We recognize that respecting and promoting human rights is not only a moral imperative but also essential for sustainable business success and long-term value creation.

We classify potential ESG risk according to the materiality 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 analyse 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.

Our Stewardship Responsibilities:

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 guidelines are as follows:

- Ensure that engagement with investees is in alignment with the purpose and values of the organisation.
 - Prioritize long-term sustainable value creation over short-term gains in all engagements with investees.
 - Actively engage with investees to understand their strategies, performance, and governance practices.
 - Maintain open and transparent communication channels with investees to foster trust and accountability.
 - Refrain from engaging political parties.
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 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 and 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 responsible investment policies and efforts in achieving responsible investment targets.
 - Our collaboration efforts with other shareholders.
 - We publish our Stewardship Report (CRISA requirement) 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 such as safety, staff turnover, carbon emissions, water use.
 - encourage companies to report their according to international recognised standards such as the TCFD (UK standard), SFDR (European standard), ISSB and TNFD.
 - 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