Perpetua Investment Managers

Responsible Investing Policy

2021

Contents

1. Introduction

Perpetua Investment Managers ("Perpetua") is an independent, owner-managed, South African-based investment management firm that has been in operation since 2012.

1.1 Purpose

Perpetua exists to help improve the quality of our clients' lives by adding meaningful value to their hard-earned savings over the long term. We approach investing as a professional endeavour and see ourselves as fiduciaries who operate as stewards of our clients' savings. We also aim to improve the quality of the lives of our staff and stakeholders by operating a purpose-driven, values-based, sustainable, inclusive and merit-based firm. We have intentionally set out to establish and grow a firm that includes all forms of diversity in the business' construction, culture and competitive advantage.

At Perpetua we are as concerned about our results as we are about how we achieve them. Our values, principles and ethics are the cornerstone of what we do and ensure that we guard our clients' long-term interests.

Mindful of the key role capital provision and allocation plays in societal impact, we aim to fulfil our responsibilities as investors and to directly help shape a more sustainable, developing and equitable society.

1.2 Responsible Investing Policy and Objectives

Perpetua's Responsible Investing ("RI") policy is a reflection of our investment ideology; our company's mission; values; applicable national and international regulations, legislation and guidelines. It provides the key outline and information on how we fulfil our stewardship and fiduciary role across all asset class and mandates we manage.

- **Definition of RI**

  Perpetua is a signatory of the United Nations-supported Principles for Responsible Investment (UNPRI), and a supporter of the United Nations Environment Programme Finance Initiative (UNEP FI) and The Generation Foundation's statement on investor obligations and duties see statement here. This statement indicates that:

  We believe that investors and other organisations in the investment system must:

  - Act with due care, skill and diligence, in line with professional norms and standards of behaviour.
  - Act in good faith in the interests of their beneficiaries and clients, including avoiding conflicts of interest, or where such conflicts are unavoidable, to balance and disclose such conflicts.
  - Take account of environmental, social and governance (ESG) issues, in their investment processes and decision-making, encourage high standards of ESG performance in the companies or other entities in which they are invested, and support the stability and resilience of the financial system.

  As long-term investors who act as stewards over our clients' savings, at Perpetua we believe that we have a fiduciary duty to understand the impact that key aspects, such as ESG, may have on a company's long-term sustainability and enduring viability. Accordingly, we are both value-oriented and values-oriented in our overall RI investment approach in this regard. We believe a company can deliver meaningful long-term value if this value is shared by all stakeholders.

  We believe ESG assessments have evolved meaningfully over the past decades from what used to be a single lens of exclusionary screening of listed equities on the basis of moral values – this has historically been referred to as Sustainable Investing or Socially Responsible Investible. While we understand the role Sustainable Investing plays, when we consider ESG factors in the investment process, we do not seek to take a purely moral stance, but rather look to assess the investment holistically and constructively. In this way we will ensure we have greater exposure to companies that create value and/or avoid undue risks by respecting their responsibility to their stakeholders. This responsibility comes about because of the impact of the company's operations on those stakeholders, and it is only by reducing or mitigating any negative impact that they can both reduce costs and reduce potential reputational damage. In our experience, there are certain ESG factors that are critical to a company's continuing success.

We believe that ESG considerations form part of our key RI obligations, but responsible investing extends beyond ESG. We systematically consider ESG issues in order to lead to more complete investment analysis and make better-informed investment decisions.

- **RI objectives**

  We see our core RI objectives as:

  - Ensure ESG factors are considered pro-actively and incorporated in a disciplined, robust manner in order to make better, long-term sustainable investment decisions;
  - Be active owners in order to protect our clients' and investor rights;
  - Work independently and collaboratively to achieve the United Nations Sustainable Development Goals (UN SDG), Paris Agreements, UNPRI, the Code for Responsible Investing in South Africa (CRISA) principles and objectives;
  - Support the recommendations of the Taskforce on Climate-related Financial Disclosure (TCFD) on Climate-related Financial Disclosures (TCFD), and continue to investigate and assess climate-related risks and improve our climate-related disclosures.
  - Influence meaningful, structural and ideological change across companies, investors to achieve truly responsible capitalism.

Our approach to sustainability outcomes mainly centres around engagement on those outcomes. We prioritise engagements around selected outcomes, and measure our progress against those. These engagement priorities are consistent with the UN SDGs. We see the SDGs as a powerful tool to measure impact because they are universally accepted by society.

1.3 Our Scope of Influence in the RI ecosystem

Perpetua recognises that its Responsible Investing policies, rights and obligations extend well beyond the internal integration of RI and ESG principles within investment decision-making of business conduct.

Investment firms exist within a broader financial and economic ecosystem and investment value chain. Parties within these systems include regulators; industry bodies; industry working groups and task teams; educational platforms; thought leadership events; media and public discourse.

Perpetua subscribes to the following guidelines in respect of its participation RI activities within the wider financial ecosystem:

1. Perpetua will seek to be an active participant in platform's which seek to promote universally acceptable responsible investing practices.
2. Perpetua will ensure the contribution it frames is aligned with its stated policies and membership mandates such consistency with the PRI principles; and other publicly supported standards and regulations.

3. Perpetua will play a constructive and meaningful role in catalyzing progress and collaborative action to promote improving outcomes in terms of sustainable development
4. Perpetua will report back on its activities, in an annual publication externally and internally at bi-annual board meetings.
5. Perpetua will conduct an annual self-review of its scope; quality and level of external influence to ensure alignment, consistency and the requisite level of activity is recorded.

2. Perpetua's RI Framework and Evolution

2.1 Oversight and monitoring

As with all key investment policies at Perpetua, our RI policy is subject to ongoing assessment, monitoring and oversight by the investment team and notably the Chief Investment Officer and Head of Research in ensuring it is implemented and relevant. Investment team members are responsible for ensuring they understand and implement the RI policies.

The application of Perpetua's investing guidelines; the demonstration of applicable judgement and insight are inter alia material components of the key performance indicators of the investment team in terms of their research obligations; proxy voting obligations and company engagement expectations. This is assessed quarterly and annually. Individuals who manage Risk and Compliance at Perpetua are responsible for assessing that policies are compiled both in form and substance.

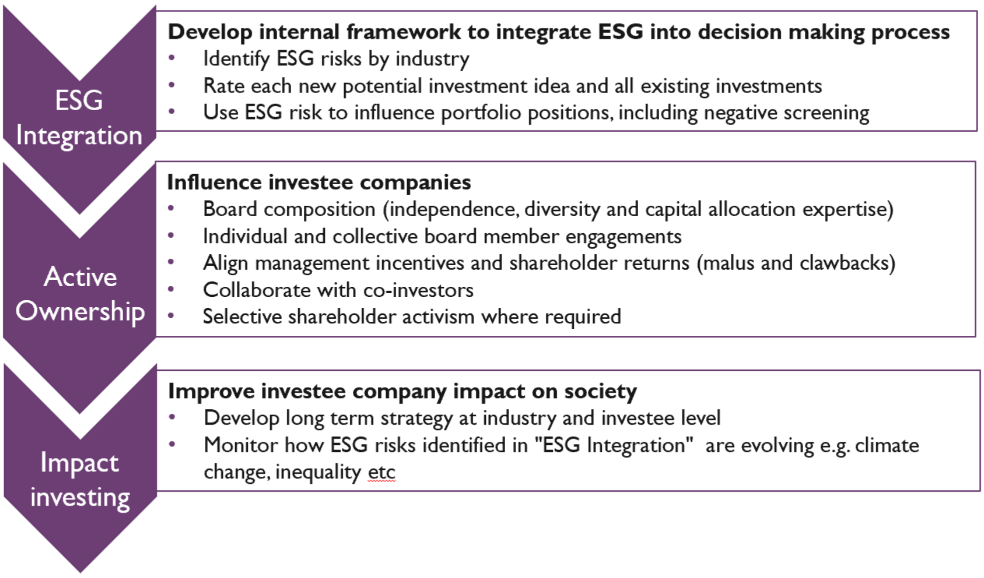
2.2 Refinements to RI policy

As discussed in the ESG Policy, our approach to RI is firmly integrated into our fundamental, bottom-up analysis in an intentional and identifiable way. ESG risk considerations and ESG progress form part of our core analysis and features in our overall assessment of an asset's long-term sustainability. In specific situations, our assessment of ESG risk (specifically Governance) could prevent us from owning the respective asset (refer to our ESG policy here). Client mandates are also considered in this regard.

In a dynamic and evolving world, we do not view our approach to RI as static, but rather look to thoughtfully refine and evolve aspects of our policy as is deemed appropriate and necessary to do so. All significant changes and additions must be formally presented and approved by the Research Group and Management Committee and are always considered through the lens of our ultimate role as stewards and fiduciaries of our clients' capital.

2.3 Evolving RI framework

Our evolving RI framework is depicted in a simplified graphic below:



- **ESG considerations and integration**
  We believe that by taking ESG considerations into account, it will help us make better long-term decisions for our clients. We also believe ESG's role in the investment process is evolving. Initially it centred more on risk management but increasingly we also see it providing insight into investment opportunities. In terms of the evolutionary process that we have followed at Perpetua, we initially explicitly integrated ESG into Perpetua's investment decision making process from a risk mitigation perspective. This occurred at both a share and sector level. As detailed in the ESG policy see link here, ESG assessments at a company level remain firmly integrated within our investment approach and we complete a thorough and proprietary scorecard for each potential investee company. The ESG analysis is carried out at a research level but the assigned company/instrument analyst and portfolio managers are also essential in assessing the ESG analysis as part of the investment approval and review process. We also incorporate appropriate RI metrics into the Key Performance Indicators of all staff who play a key role in ESG analysis; integration and reporting.

- **Active ownership**
  Following on from ESG integration, we moved and continue to deepen our position of "Active Ownership". This includes not only proxy voting (see proxy voting policy here) but also where we have sought to influence investee boards to ensure independent and fit-for-purpose boards; and capital allocation decisions. Engagement is a key action outcome from both our ESG research outcomes and as part of our commitment to be active owners. We engage constructively both pre-emptively and post-investment with company management and non-executive directors in order to inter alia ensure we are able to gauge their alignment with our interests as long-term shareholders. Our engagement actions are governed by the Engagement policy.

  Perpetua's Engagement policy also governs our pursuit of appropriate collaboration with other investors and other corporate stakeholders which is part of the commitment we have made in terms of the UNPRI to work together to enhance as signatories to maximize our effectiveness in implementing the UNPRI principles. Where necessary, appropriate and within clear legally permitted bounds, we also consider the benefit and impact on collective engagement activities whether with companies or regulators.

- **Investing for positive impact**
  We believe we are now in the evolution of the final stage of the process where we perceive that the ESG connotation will shift from being negative to having more positive impact, including the prospect of generating new ideas. We can already see that some industries will benefit positively from the trend to ESG and that there will be the creation of new industries/competitors. In our alternative fund offerings we seek to catalyse a positive impact on society through our targeted industries and impact investment opportunities.

  As part of our RI framework we are signatories of UNPRI and incorporate RI considerations into our investment analysis. We also support the SDGs, which we see as being a powerful tool to measure impact. We are still in the beginning part of our journey to measure the impact of our process, and the SDGs are important in helping us speak about the impact of our engagements. This is discussed in more detail in our Engagement Policy.

  We support the principles promoted by the CRISA as well as the fundamental concepts, principles and practices of the King IV Code on Corporate Governance.

  These principles can be found in the Appendix to this policy. The policies below therefore seek to address inter alia these various principles we have committed ourselves.

3. Policies

The below policies apply to all assets under management.
To govern our conduct:

3.1 A policy on ESG. See link here.

3.2 A policy on Conflicts of Interest. See link here.

To govern our responsibilities as shareholders:

3.3 A policy on Proxy Voting. See link here.

This policy governs our ownership responsibilities (including proxy voting, intervention and engagement and price sensitive information). In this policy we are referring to our role as shareholders of the companies in which we invest on behalf of our clients. The policy explains and governs how we behave as shareholders in the businesses in which we invest.

3.4 A policy on Engagement. See link here.

3.5 A policy on Insider Trading.
We try as far as is practically possible to avoid receiving any price sensitive information. If we do receive price sensitive information, we immediately place a trade ban on the share in question for all accounts.
We have also implemented a Personal Account Trading Policy that governs the conduct of directors and employees.

3.6 A policy on Climate Change. See link here

4. Reporting

4.1 Proxy voting

As part of our undertaking to be transparent in a manner that is consistent with trends in international best practice, a record of our proxy voting policy is available to clients. This will enable clients to assess whether we are fulfilling ownership responsibilities on their behalf in a manner that is loyal to the objectives of protecting and enhancing their assets. Consequently, Perpetua has published its voting record quarterly from late 2013 onwards (see link here) along with a clear explanation of any votes made against the company's proposals.

4.2 Annual Stewardship & Active Ownership report

We released our first Stewardship and Active Ownership report to cover 2020. In this report we disclose:

- ESG integration into our investment process.
- Highlights of ESG engagement with companies.
- Key data regarding proxy voting in throughout the year.
- Case studies in respect of our integrated ESG approach.
- The manner in which our current investment approach complies with the elements in the PRI and CRISA principles.

5. Appendix

5.1 United Nation Principles of Responsible Investing (UNPRI)

Perpetua is a signatory to the UNPRI. As a signatory we commit to the following:

- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
- Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
- Principle 6: We will each report on our activities and progress towards implementing the Principles.

The six Principles for RI are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice.

In signing the Principles, we as investors publicly commit to adopt and implement them, where consistent with our fiduciary responsibilities. We also commit to evaluate the effectiveness and improve the content of the Principles over time. We believe this will improve our ability to meet commitments to beneficiaries as well as better align our investment activities with the broader interests of society.

5.2 Code for Responsible Investing in South Africa (CRISA)

CRISA, which was launched in 2011, provides South African institutional investors with guidance on how to undertake investment analysis and activities to promote sound governance. It is similar to the PRI principles outlined above. CRISA is voluntary, without a formal signatory mechanism. The principles are adopted on an “apply or explain” basis.

Perpetua supports the principles (listed below) contained in CRISA. Consequently, we have incorporated the principles into our internal RI processes in order to arrive at the best decision for our clients.

In our planned 2020 Perpetua Stewardship and Active Ownership report, we will disclose the manner in which our current investment approach complies with the elements in the CRISA disclosure framework.

The five CRISA principles are:

1. An institutional investor should incorporate sustainability considerations, including environmental, social and governance, into its investment analysis and investment activities as part of the delivery of superior risk-adjusted returns to the ultimate beneficiaries.
2. An institutional investor should demonstrate its acceptance of ownership responsibilities in its investment arrangements and investment activities.
3. Where appropriate, institutional investors should consider a collaborative approach to promote acceptance and implementation of the principles of CRISA and other codes and standards applicable to institutional investors.
4. An institutional investor should recognise the circumstances and relationships that hold a potential for conflicts of interest and should proactively manage these when they occur.
5. Institutional investors should be transparent about the content of their policies, how the policies are implemented and how CRISA is applied to enable stakeholders to make informed assessments.

5.3 King IV Code

The King Code of Governance Principles and the King Report on Governance IV came into effect for financial years beginning on or after 1 April 2017. King IV requires application of all principles by companies on an "apply AND explain" basis. It sets out best practice recommendations to achieve good corporate governance. As in King III, King IV recommends integrated sustainability performance and integrated reports to assist investors in assessing true economic value.

King IV includes several sector supplements including one for state-owned entities and another for small and medium enterprises. The sector supplement for retirement funds supports RI as it requires pension funds (and ultimately their service providers) to be responsible corporate citizens by taking account of sustainability including ESG factors.

5.4 Regulation 28 of the Pension Funds Act

Under the 'Principles' section of Regulation 28 of the Pension Funds Act, section c(ix) considers it part of the fiduciary duty of Trustees to require ESG consideration during investment decision-making. In particular, the regulation expressly states:

"… before making an investment in and while invested in an asset consider any factor which may materially affect the sustainable long-term performance of the asset including, but not limited to, those of an environmental, social and governance character."

5.5 Taskforce on Climate-related Financial Disclosure (TCFD)

The TCFD was created in 2015 by the Financial Stability Board (FSB) to develop consistent climate-related financial risk disclosures for use by companies, banks, and investors in providing information to stakeholders.

The TCFD recommendations on climate-related financial disclosures are widely adoptable and applicable to organizations across sectors and jurisdictions. They are designed to solicit decision-useful, forward-looking information that can be included in mainstream financial filings.

The core elements of the recommendations are structured around four thematic areas within the operations of an organisation:

- The organization's **governance** around climate-related risks and opportunities
- The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, **strategy**, and financial planning
- The processes used by the organization to identify, assess, and manage climate-related **risks**
- The **metrics and targets** used to assess and manage relevant climate-related risks and opportunities

Perpetua is a proud supporter this initiative and will continue to investigate and assess climate-related risks and improve our climate-related disclosures while encouraging other corporates and financial service entities to do the same.