UMTHOMBO
WEALTH

Environmental, Social and Governance Policy

Contents

1. UMTHOMBO'S ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") INVESTMENT POLICY

At Umthombo we believe that in the longer term high standards of ethical corporate responsibility and practices generally make good business sense, and as such contribute towards sustainable business operations (e.g. growth, profitability) and wealth creation for both the economy (including employees, society) and investors (shareholder value creation). Therefore, we have intentionally integrated ESG considerations and evaluation in our investment approach and decision making.

This ESG Policy serves as a disclosure and guideline for our investment approach in respect to ESG consideration as part of our investment analysis and decision making.

1.1 MATERIALITY OF ESG FACTORS IN OUR INVESTMENT APPROACH

Umthombo (our investment team) is focused on constructing and managing portfolios that achieve long term risk-adjusted-returns that outperform clients' benchmarks or/and targeted returns; through securities' analysis and selections, portfolio construction and active portfolio management. Therefore, based on our integral investment principles (philosophy), aimed at achieving sustainable risk-adjusted-returns outperformance, we acknowledged that;

- ESG risks across investment sectors and securities are highly diverse and often difficult to identify and quantify,
- selected securities' ESG practices have high potential of influencing our investments and portfolios' long term risk-adjusted-returns over the medium to long term, and
- as one of the key parts of our investment decisions making and management process, we have to formally integrate ESG consideration as part of our securities' analysis and selection, portfolio construction and active portfolio management.

Nonetheless, by formalizing the assessment of ESG practices as part of our investment approach; we not only select compelling investment cases securities with good ESG practices, we also select compelling investment cases securities with identified and defined concerning ESG practices and aim to address the concerning ESG practices through shareholder activism and engagements (e.g. proxy voting, company management engagements on behalf of our clients). Umthombo believes that as shareholders (on behalf of our clients), we can play an important role in influencing company behavior to manage the concerning ESG practices. We intend to achieve this through engagement and possible collaborations with other shareholders in the industry (broader active stewardship).

1.2 ESG INTERGRATION AND IMPLICATIONS FOR OUR INVESTMENT APPROACH

It is a normal practice that investment management houses like Umthombo would have dedicated ESG Practitioner/s (analysts and/or advisers); that are independent from analysts focused on traditional fundamental analysis and valuation. As such, Umthombo intend to build dedicated ESG capacity (e.g. ESG Practitioner/s) across relevant asset classes and sectors as and when this becomes necessary and feasible over time.

- However, based on our currently available capacity, ESG integration (consideration and evaluation) is currently done at analysts and portfolio managers' level; securities ESG analysis.
- Supported by analysts, portfolio managers are required to be actively involved in analysing and having views on ESG factors/issues when making portfolios' securities selections and investment decisions.
- Analysts and portfolio managers (as part of managing their respective portfolios) are required to know (keep up to date) and prioritise clients' specified ESG preferences/policies.
- Both analysts and portfolio managers are required to keep up to date with selected securities' ESG practices, clearly identify concerning aspects/issues and where necessary/required consultant Umthombo's Investment and ESG Committee or/and clients for developing and implement corrective actions.

Umthombo's approach for integrating ESG factors includes the following initiatives

- Company specific research,
- Management engagement,
- Proxy voting and active ownership,
- Investigation of thematic ESG issues with investment impact,
- ESG integration into formal analysis and portfolio construction, and
- Possible collaboration within the investment industry for effective ESG practice changes.

As part of continuous learning, key investment team members have attended external seminars, workshops and conferences (e.g. JSE ESG workshops) that are focused on ESG practices and challenging issues and new innovations to assist in integrating ESG considerations in investment approaches and decision making.

1.3 EXAMPLES OF ESG FACTORS:

- **Environmental factors; identification, practices and/or targets**
  - ✓ Carbon emissions (including related fines)
  - ✓ Water usage, recycling and pollution
  - ✓ Energy/electricity consumption (green building)
  - ✓ Waste management (including paper use policies/disposal/recycling)
  - ✓ Land and general environmental rehabilitation (mining companies are required to rehabilitate lands they have mined commodities from)

- **Social factors; identification, practices and/or targets**
  - ✓ Community relations (how companies interacts with or treats local communication)
  - ✓ Product supply (fair/competitive pricing, customer convenience and education, state of customer servicing facilities)
  - ✓ Brands and reputational issues (poor health and safety record, ethical marketing practices, etc)
  - ✓ Employee/labour issues (skills development, diversity, engagement, fair treatment, safety, health and minimum wage standards/compliance)
  - ✓ Human rights (customer satisfaction, customer fair treatments, healthy life style promotions)
  - ✓ CSI like educations (convenient bursary, local schools/health facilities support/financing)
  - ✓ Litigation and fines records

- **Governance factors; identification, practices and/or targets**
  - ✓ Compliance with Companies Act, King Report's recommendations and adaption, and JSE requirements (e.g. board and audit composition, minimum disclosures, annual report)
  - ✓ Risk managements (internal control and audit policies, systems support/security, business continuity policies)

- ✓ Regulatory compliances (Sector or DTI B-BBEE codes, compliance with tax acts/requirements, sector specific regulatory compliance (e.g. FSB FAIS Act), etc)
- ✓ Executives and Non-executives' remuneration (links to KPIs, possibilities of excessive and shareholders/sustainability misaligned remuneration structures, board meeting attendance, etc)
- ✓ Bribery and corruption mitigation (policies, disclosures, addressing media reports)
- ✓ Availability of protective whistleblower schemes/structures (private/safe telephone,
- ✓ Data protection and privacy

2. INVESTMENT AND ESG COMMITTEE

Although Umthombo's analysts and portfolio managers have overall responsibility for analyzing the environmental, social and governance practices and performance related to securities being researched and analysed (possible investment cases). However, Umthombo also has an over-arching committee responsible for monitoring and managing the integration of ESG as part of our investment process, decision making and management. The Investment and ESG Committee is comprised of members of Umthombo's investment team and executive management (to bring in independent views/perspective); the committees' primary focus is to evaluate investment cases, ESG practices of selected securities, and key portfolios' risks (from various dimensions – macro, sector, underlying securities' unique aspects, benchmark, etc.). The committee also undertakes initiatives of educating members of the investment team on specific ESG issues and analytical skills, aspects and perspectives.

The Investment and ESG Committee convenes on quarterly and ad-hoc basis, reviewing the investment team's views, investment cases (including ESG issues) and portfolios (models and clients' portfolios). The committee mainly serves as investment advisory and source of guidance (not investment decision making) resources for the investment team.

3. EXTERNAL ESG RESEARCH REPORTS PROVIDERS

Umthombo, as an emerging asset manager is well aware of the scale of the task for integrating ESG considerations into its investment approach and decision making; required analysis and evaluation of companies beyond the purely fundamental financial metrics. As indicated above, this creates a challenge for capacity; analysts undertake ESG analysis, however Umthombo addresses its capacity constraints through the use of external research sources aimed at supporting its investment team (analysts and portfolio managers). Therefore, Umthombo has entered into agreements with two external ESG research providers to supplement its internal ESG analysis. The vendors provide research and company ratings based on ESG factors, covering more than 100 listed companies. The investment team sources three types of ESG related reports;

I. Company specific reports (updated as new publicly available information is received).
II. Proxy voting advisory reports as and when they come due.
III. Thematic research reports on ad-hoc bases which deal with specific environmental, social and/or governance themes.

The ESG ratings are structured and designed to be comparable across the universe as well as within sectors. Umthombo uses the external vendors ESG research reports mainly as guidelines rather than as a replacement for internal analysts and portfolio managers' analysis, views and decision making.

4. ACTIVE OWNERSHIP

Umthombo pursues an active investment style through portfolio management decisions, voting on resolutions (annual general meetings) and maintaining an ongoing dialogue with companies' management (mainly through stockbroking firms). Proxy voting is mainly carried out at the analyst and portfolio manager level with considerations of inputs from Investment and ESG Committee and external research providers (section 3 above).

All eventual voting decisions are always made in accordance with clients (first priority) or Umthombo's ESG considerations, views or policy guidelines. Umthombo's approach and policy, with regard to the exercise of voting rights are in consideration and accordance of all applicable laws and regulations, as well as being consistent with the respective investment objectives of the various portfolios under managements.
We do not screen out companies from our investment universe purely on the grounds of poor ESG performance but rather adopt a positive engagement approach; whereby we believe in voting against or/and possibly discussing ESG concerning issues with company management in which we invest or are considering investing on behalf of our clients. We believe (always aim) in reporting on our proxy voting and

company engagements meetings to our clients in order to give them a more detailed understanding of our goals; this can be on pre and post engagement basis.

5. COLLABORATION WITHIN THE INVESTMENT INDUSTRY

As indicated above, Umthombo believes that a collaborative approach within the investment industry is important in order to create synergy for addressing ESG practices by companies. As an emerging asset manager and having followed/observed in the industry collaboration practices for shareholder activism, Umthombo will be exploring shareholder activism collaboration as part of addressing identified ESG concerns. This is a process that will be undertaken in consultation with our clients (beneficiaries or consultants that we are investing and manage assets on behalf).

6. DECLARATION

This policy has been reviewed by Umthombo's Executive Committee, all members of the investment team and members of the Investments and ESG Committee; therefore, all individual have accepted the adaption of the policy as its and are required/will always oblige/comply with the policy in undertaking all function and duties related to Umthombo.