



BENGUELA GLOBAL
FUND MANAGERS

POLICY REGARDING

RESPONSIBLE INVESTMENT

PRINCIPLES FOR RESPONSIBLE INVESTMENT,

ESG AND SOCIALLY RESPONSIBLE INVESTMENT

Date of last review: June 2024

Statement of Policy Regarding

Responsible Investment

Principles for Responsible Investment,

ESG and Socially Responsible Investment

1. Introduction

Benguela Fund Managers (“Benguela” or “we”) is appointed by our clients as an investment manager with a fiduciary responsibility to help them achieve their investment objectives over the long term. Generally, our clients’ objective is to maximize the financial return of their portfolios within appropriate risk parameters. Benguela has long recognized that environmental, social, and governance (“ESG”) issues can impact the performance of investment portfolios. Accordingly, we have sought to integrate ESG factors into our investment process to the extent that the integration of such factors is consistent with our fiduciary duty to help our clients achieve their investment objectives and protect their economic interests.

Our policy draws a distinction between how the Principles for Responsible Investment (“PRI” or “Principles”), and Socially Responsible Investing (“SRI”) incorporate ESG factors. PRI is based on the premise that, because ESG issues can affect investment performance, appropriate consideration of ESG issues and engagement regarding them is firmly within the bounds of a mainstream investment manager’s fiduciary duties to its clients. Furthermore, PRI is intended to be applied only in ways that are consistent with those mainstream fiduciary duties.

SRI, which refers to a spectrum of investment strategies that seek to integrate ethical, moral, sustainability, and other non-financial factors into the investment process, generally involves exclusion and/or divestment, as well as investment guidelines that restrict investments. Benguela may accept such guideline restrictions upon client request.

2. Alignment with UNPRI

Since April 2021, Benguela has been a signatory to the United Nations Principles for Responsible Investment (“UNPRI”). In recent years, we have gained greater clarity on how the PRI initiative, based on information from PRI Advisory Council members and other signatories, provides a framework for incorporating ESG factors into investment research and decision-making. Furthermore, our industry has become, over time, more aware of the importance of ESG factors. We acknowledge these developments and seek to refine what has been our process in this area.

In aligning our investment policies with the PRI, Benguela as an investment manager publicly commits to adopt and implement all six Principles, where consistent with our fiduciary responsibilities, and to make progress over time on implementation of the Principles. The implementation of the principles is summarized as follows:

1. We will incorporate ESG issues into investment research and decision-making processes.

Benguela Examples: ESG issues are included in the research analysis process. In some cases, external service providers of ESG-related tools are utilized; we have conducted proxy voting training and will have continued and expanded training for investment professionals to incorporate ESG issues into investment analysis and decision-making processes across our firm.

2. We will be active owners and incorporate ESG issues into our ownership policies and practices.

Benguela Examples: We are active owners through our proxy voting process (for additional information, please refer to our *Statement of Policies and Procedures for Proxy Voting Manual*); we engage issuers on ESG matters in our investment research process (we define “engagement” as discussions with management about ESG issues when they are, or we believe they are reasonably likely to become, material).

3. We will seek appropriate disclosure of ESG issues by the entities in which we invest.

Benguela Examples: Generally, we support transparency regarding ESG issues when we conclude the disclosure is reasonable. Similarly, in proxy voting, we will support shareholder initiatives and resolutions promoting ESG disclosure when we conclude the disclosure is reasonable.

4. We will promote acceptance and implementation of the Principles within the investment industry.

Benguela Examples: By signing the PRI, we have taken an important first step in promoting acceptance and implementation of the six Principles within our industry.

5. We will work together to enhance our effectiveness in implementing the Principles.

Benguela Examples: We will engage with clients and participate in forums with other PRI signatories to better understand how the PRI are applied in our respective businesses. As a PRI signatory, we have access to information, tools and other signatories to help ensure that we are effective in our endeavors to implement the PRI.

6. We will each report on our activities and progress towards implementing the Principles.

Benguela Examples: We will regularly report and publish activities relating to the implementation of the principles. In line with principle 6, we commit to disclose active ownership activities (voting, engagement, and/or policy dialogue) and how ESG issues are integrated within investment practices. We will also use reporting to raise awareness among a broader group of stakeholders.

3. Commitment to the CRISA

Benguela commits to align our investment policies with the Principles of the Code for Responsible Investing in South Africa (CRISA). We believe that CRISA provides a robust framework for integrating ESG factors into investment decision-making and promoting long-term sustainability. We determined that aligning our policies with CRISA Principles would enhance our current ESG practices and align our fiduciary duties with our clients as investment managers. The implementation of the Principles is summarized as follows:

1. We integrate ESG factors into our investment process.

Benguela Examples: ESG is fully incorporated into the Benguela equity analysis and valuation processes. An ESG scorecard is used to assess companies' ESG risks. The ESG rating outcome forms part of the six drivers of our cost of capital calculation.

2. We diligently enable effective stewardship.

Benguela Examples: We demonstrate diligent stewardship by applying a comprehensive proxy voting policy, which is transparently disclosed on our website.

3. We promote collaborative approaches and capacity building.

Benguela Examples: We actively participate in industry bodies like ABSIP and ASISA, promoting issues around responsible investment. We established a dedicated ESG team to foster collaboration and capacity building.

4. We established sound governance structures and processes.

Benguela Examples: Benguela has established robust governance structures and processes to ensure responsible investment and diligent stewardship, including the implementation of a comprehensive conflict-of-interest policy.

5. We will ensure transparency is meaningful, timely, and accessible.

Benguela Examples: We prioritize transparency by periodically publishing reviewed policies and implementing CRISA principles on our website.

4. Approach to ESG

Our long-standing policy has been to include ESG factors in our extensive fundamental research and consider them carefully when we believe they are material to our forecasts and investment decisions. If we determine that these aspects of an issuer's past, current, or anticipated behavior are material to its future expected returns, we address these concerns in our forecasts, research reviews, investment decisions, and management engagement (please refer to ESG guidelines on ESG factors in Appendix 2). In addition, we have well-developed proxy voting policies that incorporate ESG issues and engagement (please refer to the attached Proxy Voting Policy).

5. In Depth ESG Research and Integration

Benguela strives to gain an in-depth understanding of the relevant ESG issues applicable to our investments. Benguela's approach to integrating ESG factors into our investment analysis includes the following activities:

- a. In depth ESG Research and Integration
- b. Company engagement (where deemed necessary)
- c. Active Ownership (e.g. Proxy voting – refer to separate Policy)
- d. Collaboration within the Investment Industry

Benguela has outsourced its ESG data collection to LSEG (part of the Data stream). The ESG data collected by LSEG is fed directly into our company models used to determine the Company's Cost of Capital as well as the Quality rating.

The factors driving our ESG scores are summarized in LSEG has built an ESG database of 4,600 stocks globally (138 of these companies are in South Africa).

Where a company is for whatever reason not yet covered through the outsourced service (e.g. too small), Benguela is able to apply the same evaluation methodology on such a company in a consistent manner - it is therefore important to emphasize that our idea generation would not be constrained by lack of coverage of a stock by our ESG data partners.

5.1. Company Engagement

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 discuss these issues with the management of the companies in which we invest or are considering investing on behalf of our clients.

We use the information gathered during these meetings both to inform our investment decisions and to encourage the company's management to improve procedures and policies. We believe that this is the most effective way to improve corporate responsibility in our investee companies.

Portfolio managers and analysts meet the companies in which they invest on an ongoing basis, during these conference calls or face-to-face meetings with these firms specific ESG concerns can be addressed.

The goal of engagement is to encourage management to improve their ESG procedures and policies.

5.2. Active Ownership

Benguela pursues an active investment style through portfolio management decisions, voting on resolutions at general meetings and maintaining an ongoing dialogue with management. This involves holding regular meetings with companies to discuss specific results or events as well as a more informal dialogue incorporating site visits and other research initiatives. Benguela is generally supportive of the management of the companies in which we invest, but we will nonetheless form our views on the strategy and governance of a business. These form part of our dialogue with companies.

On occasion, our views will differ from those of management and where this is accompanied by a failure to achieve our reasonable expectations for shareholder return, we will consider promoting change. Our specific response will be determined on a case-by-case basis, after weighing up the relative merit of intervention (refer to our Proxy Voting Policy) or a sale of the shares. Typically, we will choose to intervene to promote change when the expected benefits of intervention (through increased returns to our investors) outweigh the anticipated cost.

Benguela's analysts and portfolio managers are responsible for conducting our voting activities, with information being derived from a variety of sources, including proxy voting advisory services. All eventual voting decisions are always made following Benguela's policies and voting guidelines (after consultation with the relevant portfolio managers, where appropriate). Voting instructions are generally processed electronically via a proxy voting agent.

5.3. Industry collaboration

Benguela subscribes to the Code for Responsible Investing for South Africa (CRISA) and the United Nations Principles for Responsible Investment (UNPRI), a voluntary framework for incorporating ESG issues into investment decision-making and ownership practices. The Principles for Responsible Investment are consistent with Benguela's approach to corporate social responsibility and support our view that ESG integration should be encouraged when it enhances long-term financial return.

5.4. Review of Policy

This policy may be reviewed by the Directors of Benguela from time to time, with a view to further enhancing awareness and effectiveness of ESG integrated into Benguela's investment process.

APPENDIX 1: BENGUELA ESG SCORE DEVELOPMENT

Environmental Performance Score	The environmental pillar measures a company's impact on living and non-living natural systems, including the air, land, and water, as well as complete ecosystems.
Emissions Reduction	The emission reduction category measures a company's management commitment and effectiveness toward reducing environmental emissions in the production and operational processes.
Resource Reduction	The resource reduction category measures a company's management commitment and effectiveness toward achieving efficient use of natural resources in the production process.
Product Innovation	The product innovation category measures a company's management commitment and effectiveness toward supporting the research and development of eco-efficient products or services.
Social Performance Score	The social pillar measures a company's capacity to generate trust and loyalty with its workforce, customers, and society, through its use of best management practices.
Employment Quality	The workforce/employment quality category measures a company's management commitment and effectiveness towards providing high-quality employment benefits and job conditions.
Health & Safety	The workforce/health & safety category measures a company's management commitment and effectiveness towards providing a healthy and safe workplace.
Training & Development	The workforce/training and development category measures a company's management commitment and effectiveness towards providing training and development (education) for its workforce.

Diversity	The workforce/diversity and opportunity category measure a company's management commitment and effectiveness towards maintaining diversity and equal opportunities in its workforce
Human Rights	The society/human rights category measures a company's management commitment and effectiveness towards respecting the fundamental human rights conventions.
Community	The society/community category measures a company's management commitment and effectiveness towards maintaining the company's reputation within the general community (local, national, and global).
Product Responsibility	The customer/product responsibility category measures a company's management commitment and effectiveness towards creating value-added products and services upholding the customer's security.
Corporate Governance Performance Score	The corporate governance pillar measures a company's systems and processes, which ensure that its board members and executives act in the best interests of its long-term shareholders.
Board Structure	The board of directors/board structure category measures a company's management commitment and effectiveness towards following best practice corporate governance principles related to a well-balanced membership of the board.
Board Function	The board of directors/board functions category measures a company's management commitment and effectiveness towards following best practice corporate governance principles related to board activities and functions.
Compensation Policy	The board of directors/compensation policy category measures a company's management commitment and effectiveness towards following best practice corporate governance principles related to competitive and proportionate management compensation.

Shareholder Rights	The shareholders/shareholder rights category measures a company's management commitment and effectiveness towards following best practice corporate governance principles related to a shareholder policy and equal treatment of shareholders.
Vision & Strategy	The integration/vision and strategy category measure a company's management commitment and effectiveness towards the creation of an overarching vision and strategy integrating financial and extra-financial aspects.

APPENDIX 2: GUIDELINES ON ESG FACTORS.

While we integrate ESG factors into our investment analysis, we prioritize a collaborative approach, working with companies to enhance their ESG practices rather than exclusion. The following are our ESG guidelines:

A. Guidelines on Environmental Factors

- Climate change mitigation and adaptation strategies - we assess a company's exposure to climate-related risks and opportunities, such as carbon emissions, renewable energy sources, and regulatory changes.
- Resource use and pollution management - we evaluate a company's use of natural resources, such as water and energy, protection of biodiversity, and its plans for sustainable resource management.
- Product innovation – we assess the company's product innovation, management commitment, and effectiveness towards supporting the research and development of eco-efficient products or services.

B. Guidelines on Social Factors

- Labour standards and working conditions – we assess a company's commitment to fair wages, safe working conditions, and respect for labor rights.
- Diversity, equity, and inclusion - we are committed to promoting diversity and inclusion within our investee companies.
- Human rights – we assess the company's management commitment and effectiveness in respecting the fundamental human rights conventions.
- Community engagement - we assess a company's impact on the communities in which it operates.

C. Guidelines on Governance Factors

- Please refer to our Proxy Voting Policy, which outlines our approach to voting on shareholder resolutions related to ESG matters on Benguela's website.

D. Specific asset class(es) we hold

- Benguela Global Fund Managers primarily focuses on equity investments. We consider ESG integration and our policy guidelines throughout our investment selection process. We follow a unique quality-driven investment philosophy. We believe that superior risk-adjusted returns can, over the long term, be achieved through investing in high quality companies with sustainable growth prospects that are purchased at attractive prices. We are research driven and valuation focused. We follow a disciplined fundamental research approach to identify companies with strong competitive advantages and sustainable growth prospects. Incorporating ESG factors into the valuation process facilitates responsible investing and substantially enhances investment outcomes while reducing risk to clients' capital.

E. Implementation and monitoring

- We are committed to continuously improving our responsible investing practices. We will regularly review and update this policy as needed.