RESPONSIBLE INVESTMENT POLICY

Abridged website version

Date of Review: 2022

Contents

1. Introduction

This Responsible Investment Policy ("the policy") sets out 27four's approach to ESG implementation and active stewardship, including proxy voting and engagement. The policy underlines 27four's commitment to strong governance and transparency in fulfilling our fiduciary duties. It sets out how we communicate and report on responsible investment activities to our clients and other stakeholders.

1.1. Codes and frameworks

This policy is also aligned with a number of voluntary local and international responsible investment codes and frameworks. These include:

- UN-backed Principles for Responsible Investment (PRI) and the Second Code for Responsible Investing in South Africa (CRISA 2)
- The King IV Report on Corporate Governance for South Africa (2016) – Supplement for Retirement Funds
- Sustainable Development Goals
- Task Force on Climate-Related Financial Disclosures (TCFD)

1.2. Delegation of responsibilities

The Board is responsible for the development and implementation of this policy, including the proxy voting policy, in accordance with the investment strategy.

2. Investment beliefs and objectives

2.1. Beliefs

We believe that responsible investment practices, including the integration of ESG factors, can have a material impact on long-term risk-adjusted returns, and that better financial outcomes can be achieved by integrating ESG issues into investment decisions.

2.2. Objective

The objective of this policy is to improve sustainable long-term investment returns for our clients through ESG implementation and active stewardship.

3. ESG implementation

3.1. General approach to ESG implementation

27four prioritises the following approach to ESG implementation:

- **ESG integration –** systematically and explicitly incorporating ESG considerations into investment decisions, including security analysis and asset allocation.
- **Active stewardship –** influencing the behaviour of investee companies through proxy voting and engagement, including collaborative engagement.
- **Impact investment –** investing with the intention of generating measurable beneficial social and environmental impact together with investment returns. For example, investments that facilitate economic growth, support job creation, develop infrastructure and enhance access to affordable basic services.

3.1.1 ESG integration

27four does not take a prescriptive approach towards ESG integration, but in order for ESG considerations to be systematically and explicitly incorporated into investment decisions we believe that the ESG integration process should include:

- Analysing ESG information alongside financial information using a wide range of resources, not limited to ESG ratings provided by ratings agencies.
- The identification of material ESG factors and the assessment of how these factors impact on the company, sector and wider economy.
- Using assessments of material ESG factors in investment analysis and portfolio construction.
- Monitoring performance of ESG factors.

We also believe that scenario analysis or modelling can help test assumptions regarding the impact and likelihood of ESG factors.

3.1.2 Active stewardship

Proxy voting

Proxy voting and engagement are undertaken by our external managers for the majority of AUM. 27four's analysts and ESG team are responsible for the active stewardship of internally managed funds.

Engagement

In order to address potential ESG-related concerns and improve corporate behaviour and performance, 27four will regularly engage with companies. This may be done directly, through collaboration or via service providers.

Collaborative engagement

We are willing to collaborate with other responsible investors where interests are aligned to achieve our responsible investment objectives. A collaborative approach is important to mobilise and leverage the power of investment capital to foster responsible corporate behaviour, and to build capacity within the industry on ESG issues.

Promoting responsible investment

27four promotes responsible investment practices independently to support and grow industry best practices. Initiatives include responsible investment training sessions for clients, encouraging asset managers to support responsible investing, presenting and speaking on panels at industry conferences, and publishing research and commentary on ESG issues.

3.1.3 Impact investment

To support 27four's transformation and responsible investment goals, we will seek to make investments that will deliver an attractive investment return while making a positive environmental and/or socio-economic impact. This allocation should be made for the following primary objectives:

- Supporting diversity, equity and inclusion – 27four will give preference to black and women managers for the management of its developmental investment strategy.
- Unlocking the economy - support national priority sectors, including infrastructure and basic services, that contribute towards development of the economy and job creation.
- Generating impact – the potential measurable positive social and/or environmental impact that could be achieved.

4. Working with asset managers

Our external asset managers are mandated to implement ESG factors into both portfolio decisions and specific investments.

4.1. Asset manager identification and selection

27four's asset managers are selected through a rigorous due diligence process that includes an assessment of the asset manager's responsible investment policy and processes, and its implementation of ESG. 27four must be satisfied that the manager's approach to ESG is aligned to 27four's ESG objectives and expectations before appointing an asset manager.

4.2. Asset manager appointments

27four will incorporate ESG-related terms and conditions in all investment management mandates with selected asset managers.

4.3. Asset manager monitoring

27four will regularly review the investment performance and ESG implementation of its appointed asset managers.

4.4. Asset manager reporting and disclosure

Asset managers are expected to provide written reports on their responsible investment activities, and the outcomes of these activities, on a quarterly basis.

5. Reporting and disclosure

27four views transparency and disclosure as important components of being a responsible investor. 27four will report to stakeholders on its responsible investment activities on an annual basis. This will include proxy voting, engagement activities and how investment decisions have contributed toward meeting the objectives of the responsible investment policy. Quarterly updates on proxy voting, including any votes against proposals or abstentions, will also be made publicly available on our website.

6. Voting Policy

The Voting Policy sets out 27four's guidelines for how it and its asset managers should vote on shareholder resolutions in accordance with the Responsible Investment Policy. Asset managers can influence the behaviour of the companies in which they invest and are encouraged to support stronger ESG performance and disclosure in their voting decisions.

The Policy is applicable to all mandates that include listed equity as a component. These guidelines draw on:

- the King Code and Report on Governance for South Africa, 2016 (“King IV”)
- the Companies Act 71 of 2008
- the JSE Listing Requirements
- international guidelines such as the ICGN Statement on Global Corporate Governance Principles (2005) and the OECD Corporate Governance Principles (2004).

7. CRISA 2 AND PRI

7.1. Second Code for Responsible Investing in South Africa (“CRISA 2”)

The CRISA, which was launched in 2011, “gives guidance on how the institutional investor should execute investment analysis and investment activities and exercise rights so as to promote sound governance.” CRISA 2 was released in September 2022 and is effective 01 February 2022.

The five key principles are:

a. **ESG integration.** Investment arrangements and activities should reflect a systematic approach to integrating material environmental, social and governance (ESG) factors.
b. **Stewardship.** Investment arrangements and activities should demonstrate the acceptance of ownership rights and responsibilities diligently enabling effective stewardship.
c. **Capacity building & Collaboration.** Acceptance and implementation of the principles of CRISA 2 and other applicable codes and standards should be promoted through collaborative approaches (as appropriate) and targeted capacity building throughout the investment industry.
d. **Governance.** Sound governance structures and processes should be in place (including at all levels of the organisation) to enable investment arrangements and activities that reflect and promote responsible investment and diligent stewardship, including proactively managing conflicts of interest.

e. **Transparency.** Investment organisations should ensure disclosures are meaningful, timeous and accessible to enable stakeholders to make informed assessments of progress towards the achievement of positive outcomes.

7.2. Principles for Responsible Investment ("PRI")

The PRI was developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices.

The six key principles are:

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.

End.