



Part of RMI
Investment Managers

Granate Asset Management

Responsible Investing Policy

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Overview

Granate Asset Management is committed to the promotion and support of Responsible Investing in South Africa. We incorporate sustainability considerations into our investment analysis as part of the delivery of superior risk-adjusted returns to our clients. Granate adopted the principles of CRISA as well as the principles of the UNPRI at inception of the business. Active ESG management forms part of our investment process.

Principles of CRISA

The Code for Responsible Investing in South Africa (CRISA) gives guidance on how the institutional investor should execute investment analysis and investment activities and exercise rights to promote sound governance. There are five key principles and Granate adopt the principles as such:

Principle 1

An institutional investor should incorporate sustainability considerations, including ESG, into its investment analysis and investment activities as part of the delivery of superior risk-adjusted returns to the ultimate beneficiaries.

Our team has a track record of including sustainability in our investment analysis and decision making. We incorporate ESG into our investment analysis and investment decisions.

Principle 2

An institutional investor should demonstrate its acceptance of ownership responsibilities in its investment arrangements and investment activities.

Granate engages with companies on ESG issues. As debt holders, we have adopted the necessary principles to vote on decisions that would affect corporate behaviour. We have exercised bondholder voting rights numerous times where appropriate. Controls are in place to prevent insider trading as defined by the Securities Services Act.

Principle 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.

We adopt a collaborative approach to incorporate sound governance and principles to all stakeholders.

Principle 4

An institutional investor should recognise the circumstances and relationships that hold a potential for conflicts of interest and should pro-actively manage these when they occur.

Granate Asset Management has a Conflict of Interests Management Policy in place and has established processes to monitor compliance with this policy.

Please find the Granate Conflict of Interest Policy on our website:

<http://www.granate.co.za/governance/>

Principle 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.

We will publish our approach to debtholder responsibilities and the integration of sustainability considerations into our investment analysis. As per Principle 4, we publicly disclose our policy on our website to identify, prevent and manage conflicts of interest.

Principles of the UNPRI

The United Nations-backed Principles for Responsible Investment is the world's leading proponent of responsible investment.

It works to understand the investment implications of environmental, social and governance (ESG) factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership

decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society.

Granate took the decision to adopt the principles of the UNPRI from inception of the business. Granate is not a signatory to UNPRI due to financial constraints, but once it has grown to a financial position that allows us to commit funds to UNPRI, we will officially sign the Principles of Responsible Investing. The Principles are voluntary and aspirational. They offer a menu of possible actions for incorporating ESG issues. Here are examples of how Granate Asset Management currently incorporates the 6 Principles of Responsible Investing:

Principle 1

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

- We support the development of ESG-related tools, metrics, and analyses.
- We have credit analysts who incorporate ESG aspects in their analysis.
- Our investment team have experience in working directly on social impact investments.
- We incorporate qualitative factors about companies into our credit rating tool, which maps the degree of such factors into a company's probability of default.

Principle 2

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

- As an Asset Manager, we believe it is our responsibility, where appropriate, to actively engage with management regarding corporate decisions.
- We are a Fixed Income Asset Manager and over 95% of our holdings are debt, thus we primarily act as debt holders as opposed to shareholders.
- As debt holders, we have adopted the necessary principles to vote on decisions that would affect corporate behaviour.
- We have exercised voting rights on numerous occasions, where appropriate.

Principle 3

We will seek appropriate disclosure on ESG issues by the entities in which we invest

- We ask for standardised reporting on ESG issues where our counterparties have access to such tools.
- ESG issues are often integrated within annual financial reports – especially for companies that comply with the King Codes.
- We include the ESG requirements in our due diligences where suitable. We have noted which of our investments have dedicated Social Impact Disclosure on their websites.

Principle 4

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

We are active members of ASISA (The Association for Savings and Investment South Africa) and attend the meetings and forums. ASISA incorporates Responsible Investment practices and promotes these in the investment industry.

When engaging with clients or potential clients, we promote our support acceptance of these Principles.

Principle 5

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

We endeavor to improve our effectiveness in implementing the Principles and to incorporate ESG throughout our business.

Principle 6

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

- We disclose how ESG issues are integrated within our investment practices.
- We communicate with beneficiaries about ESG issues and the Principles.
- We have an ESG register in the Granate Asset Management online folder system that details engagement with company management and which ESG issue was discussed and reported on.

Granate ESG Management Explained

Environmental

- Screening by way of assessing a company's impact on the environment and assessing what measures have been taken to avoiding emissions such as CO₂ and wastage.
- We will go so far as to exclude certain sectors or companies from investment consideration based on negative environmental aspects.
- Environmental reports can be found in listed companies' annual reports, media or via engagement with management.

Social

- The Granate Team has a track record of incorporating High Impact Investments into its funds
- We consider both the commercial and the social impact merits of such investments.
- The team recognizes the substantial need to invest into areas of society that will generate meaningful social impact – creating jobs, education, low cost housing, etc.
- Many of the counterparties that the team invests in have some form of measurable social impact.
- The team has invested in counterparties that qualify as pure Social Impact Investments.

Governance

- A crucial part of our investment process is assessing governance factors of counterparties
- The Granate Team will not invest into a new company without meeting both senior and middle management.
- We assess governance compliance by analyzing board structures, independence, support of shareholders, procurement policies and management engagement (their willingness to disclose information to us when we ask for it).