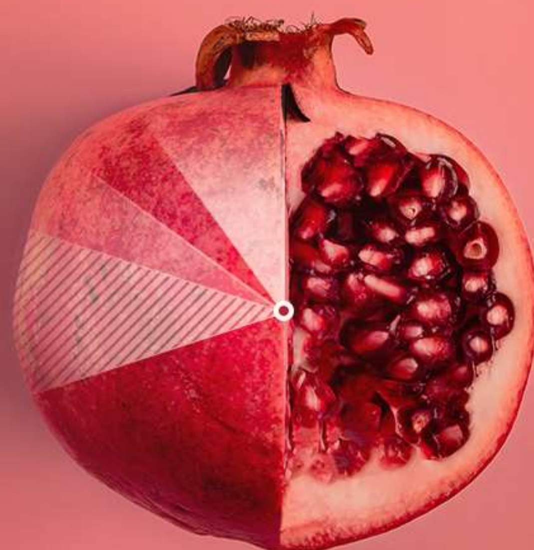
VERSION 3.0
May 2023

Relentlessly

committed to **protect** and **grow** your savings



ESG Policy

2nd Floor Josephine Mill, 13 Boundary Road, Newlands
Cape Town 7700

Directors
PJ Bosman, AR Dearman, AR de Swardt, AFV Rousseau, HP Vermaak,
SJ Blanckenberg, P Ntshiba

Granate Asset Management (Pty) Ltd
is an authorised Financial Services Provider (FSB 46189) Reg No. 2015/090537/07

Version Control

Version no.	Update date	Purpose of changes*	Details of revisions to document
1.0	5 November 2020	N/A	First draft of document
2.0	26 July 2021	Updated values	Updated values
3.0	12 May 2023	Update	Merging Climate Change Policy and Granate Goes Green to our ESG Policy.

Contents

What is ESG?

We define Environmental, Social and Governance considerations ('ESG') as integral to any business's sustainability and therefore also economic value. In the 1987 Brundlandt Report, "sustainability" was defined as "*meeting the needs of the present without compromising the ability of future generations to meet their own needs"*. Whilst this definition has been expanded over the years, it gets to the core of why sustainability (or ESG) matters. We must think of ourselves as custodians of both the planet and continued social improvement to ensure that there are sufficient resources to sustain future generations, shared more fairly than before.

Achieving this goal can require hard decisions. Sometimes it requires personal or/and financial sacrifices, shaving a bit off the bottom line or giving up some conveniences. We are required to take actions now which might only bear fruit beyond our lifetimes.

Change from the inside out

Granate Asset Management (Pty) Ltd and its wholly owned subsidiary , Capensis Capital (Pty) Ltd (the 'Granate Group' or 'Granate') view our ESG strategy as a three- stage journey:

- **Walking the walk as the Granate Group**: We can live responsibly within our personal capacity as individuals at Granate through small changes in our daily behaviour. These changes might seem insignificant, but the beauty of a planet of about 7 billion people is that an aggregation of small personal sacrifices can have a real impact. The important thing is that we must start with ourselves. How can we pass judgement about the sustainability of the companies that we invest in if we don't even know what it means to live sustainably in our own lives and as a business?

- **Talking the talk within our sphere of influence**: We can encourage behavioural change within our direct points of contact in the world. This includes our friends, families, service providers, clients, and our sphere of influence in our community, including our investment community. If we are walking the walk ourselves, talking the talk should be easy and should allow the ripples to spread.

- **Living this in how we invest**: We strive to invest in companies with sustainable businesses and true profitability. More on this below.

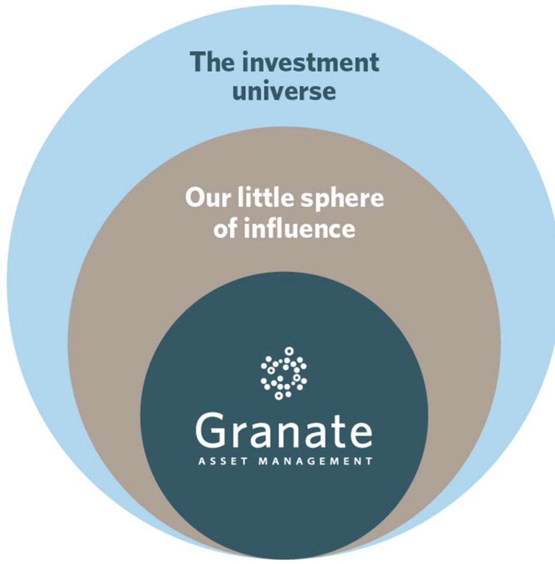


Diagram 1: Three stage journey

Investments - Guiding Principles

Our Purpose

Our purpose as the Granate Group is to protect and grow our clients' savings. When we consider ESG related factors in our investment decisions, it is always with this purpose in mind. Whilst personal views and feelings naturally enter our discussions, our decisions are always made with our clients' best interests at heart.

Our Values

Granate's values are the pillars by which we measure ourselves. We are unwavering in our commitment to them and will never compromise on them for perceived progress. Our commitment as an organisation is to our clients and our colleagues. These values form the foundation for our pragmatic approach to incorporating ESG considerations into our investing.

Diagram 2: Our Values

Integrity

ESG matters are extremely complex as they involve systems of interrelated entities with needs which often conflict. Academics in the same field with decades of experience will often disagree with each other on a single topic. We are a team of people with decades of combined experience in investing our clients' savings. Over these decades, we have honed our skills through a process of continuous learning, application and necessary failures. Whilst we have extensive expertise in many areas of investing, we acknowledge that we have much to learn. We are not experts on environmental and social matters, and might never be, but we want to grow our collective knowledge in this area. We review a lot of integrated reports as part of our research and have the opportunity to continuously learn on the subject by understanding how companies around the world approach ESG.

Collaboration

We are fortunate to have a team of diverse thinkers from diverse backgrounds and academic disciplines. We are accountants, actuaries, engineers, scientists and philosophers. There is a natural curiosity and desire to learn in our team. Every day is a learning opportunity on the path to mastery. Growing our ESG expertise is part of this journey. We take a teamwide approach to difficult ESG decisions through our Investment Committee which includes the full team of investment professionals. We value conflicting opinions and encourage lively debate as this helps us view ESG matters from all angles. We take as much time as is needed to reach the best decision for our clients.

Simplicity

ESG considerations are very complex with many interrelated factors to consider. We try to simplify by working backwards from the intended outcome rather than from the multitudes of tick box templates floating around in our industry. We do this by trying to understand destructive environmental practices (while acknowledging that some are far more obvious than others) and the responses companies are making to improve these practices. We believe that encouraging and incorporating positive traits such as integrity (including exhibiting ethical corporate behaviour and fairness) in our investment philosophy and process will benefit and support our clients, colleagues, and families.

Application of Governing Codes & Principles

Granate has incorporated the five key principles of the Code for Responsible Investing in South Africa (CRISA) 2 into our investment approach as follows:

CRISA 2 Principle	Summary of Our Approach
Principle 1 – Integration of ESG factors	
Investment arrangements and activities should reflect a systematic approach to integrating material ESG factors.	ESG considerations factor into our assessment of whether a company is investible and its sustainability and true profitability. Our approach is outlined in the next section ("Practical Approach").
Principle 2 – Diligent Stewardship	
Investment arrangements and activities should demonstrate the acceptance of ownership rights and responsibilities, diligently enabling effective stewardship.	We are active owners and engage with companies on ESG concerns and exercise our voting rights.
Principle 3 – Capacity Building and Collaboration	
Acceptance and implementation of the principles of CRISA 2 and other applicable codes and standards should be promoted through collaborative approaches and targeted capacity building through the investment industry.	All investment professionals at Granate are involved in ESG-related decisions through our investment committee. More broadly, we are a paying and active member of the Association for Savings and Investment SA (ASISA), which promotes responsible investment practices within the industry.
Principle 4 – Sound Governance	
Sound governance structures and processes should be in place to enable investment arrangements and activities that reflect and promote responsible investment and diligent stewardship, including proactively managing conflicts of interest.	We have a Conflict-of-Interest Policy (COI), a Personal Account Trading Policy and procedures in place for implementing these policies. Our policies are reviewed, and all members sign an annual declaration form acknowledging that they have read and understood the policies.
Principle 5 - Transparency	
Ensure disclosures are meaningful, timeous and accessible to enable stakeholders to make informed assessments of progress towards the achievement of positive outcomes.	Our COI and approach to responsible investing are available on our website.

We are both supporters of and apply the United Nations Principles of Responsible Investing by following the approach outlined in this policy. However, we are not currently a signatory. We will consider becoming a signatory once we have grown to a financial position that allows us to commit funds to this, and if we believe it is in the best interest of our clients.

Sustainable Development Goals

We recognise the importance of the United Nations Sustainable Development Goals (SDGs) as a global commitment to a better future. We have much learning to do in understanding these goals and the role we can play in achieving them. The SDGs are considered in our investment process in the following ways:

- We consider goals 12 – Responsible Consumption and Production and 13 – Climate Action when evaluating environment impacts in our investments. Refer to the Climate Change section below that deals specifically with our thinking around the risks associated with climate change.
- We consider the relationships that businesses have with their employees when evaluating social factors in our investments. This contributes to goal 8 – Decent Work.
- Our investments, particularly in the credit market, can support projects which contribute to 6 - Clean Water and Sanitation, 7 - Affordable and Clean Energy, 9 – Industry, Innovation and Infrastructure, and 11 – Sustainable Cities and Communities. We will participate in sustainability-linked investments, provided that these offer adequate returns for our clients.

Investments - Practical Approach

Incorporating ESG Considerations

ESG considerations impact our investment decisions and activities in two ways. Firstly, these considerations factor into our assessment of whether a company is investible. If it is, they also factor into our assessment of the company's sustainability and true level of profitability. Secondly, we incorporate qualitative factors into our credit rating tool which we use to assess a company's probability of default. We also adjust growth potential in our equity pricing models to account for ESG implications.

We may have ESG concerns that do not disqualify a company from potential investment but leaves room for improvement. If this is true for any of the companies we invest in or lend to, we may engage with their board and management teams. Our aim with such engagements is to encourage greater awareness of their societal and environmental impact, and to offer constructive input on possible improvements.

Internally, ESG considerations are deliberated at Investment Committee meetings, which all fund managers and analysts attend. This ensures that we consider differing viewpoints, helps to identify aspects we may need to investigate further and encourages discussion and debate. When investing, we analyse disclosure on ESG issues from investee companies' integrated reports and presentations.

Governance Considerations

A primary component of our research comprises a detailed corporate governance analysis for each company we invest in or lend to. Our key considerations and the purpose of considering these is outlined in the table below. If we have material governance concerns, we will exclude the company from further analysis as we believe such companies pose unquantifiable risk. If we believe that the company is investible, but that governance is weak in specific areas, we may raise our concerns with investor relations, management or the board.

We have many examples of where we have excluded companies because of governance concerns. We also have examples of where we engaged with the company on governance matters. We are happy to provide examples upon request.

Consideration	Questions to be addressed
Composition, qualifications, strength and independence of the board	Is there sufficient oversight from the board to ensure that the interests of shareholders (particularly minorities) are protected?
The experience and track record of the management team	Do we trust the management team to be honest, take a long-term view and act for the good of the company and its stakeholders?
Potential conflicts of interest and related party transactions	Are we sure that related parties are not extracting value from the company in a way that is detrimental to other stakeholders? Are all parties free and able to act in the best interests of the company?
The principles of remuneration and how these are applied	Is management incentivized to act in the long-term interests of the company?
Balance sheet strength	Has the company used its balance sheet responsibly and managed the associated risks effectively?

Societal / Social Considerations

We consider how heavily management teams weigh client/customer, employee (direct or down the supply chain) and societal wellbeing. This is not an exact science, as objective information is often not freely available, and any conclusion is therefore a matter of degree. Our approach is guided by the questions outlined below. This is not an exhaustive list but is instead designed to prompt critical thinking from the team about social factors and their impacts. If we believe that a company's negative actions might affect the long-term sustainability of the business, we would either exclude the company from our investment universe or adjust expected profits and may engage with management on our concerns. Conversely, if we believe a company weighs these factors heavily in their actions (in a positive sense), it encourages us to place a greater value on the company.

Can we identify any ways in which the company acts against the best interests of its stakeholders (e.g. employees, supply chain, customers, wider community)?	
If the answer is YES	If the answer is NO
• Could these negative actions impact on the long-term sustainability of the business? • Is there evidence that the company is aware of these risks and making improvements? • Can we reasonably account for these risks in our analysis?	• Are there clear processes in place to monitor the health of relationships with key stakeholders? • Is there evidence that stakeholders' wellbeing is being compromised? Could this impact on the long-term sustainability of the business? • Does the company go out of its way to have happy stakeholders? Is this likely to positively impact their future profitability? • Does it seem like information is missing? Is lack of transparency a concern? What might be important that we aren't seeing?

Environmental Considerations

In evaluating environmental impacts, we identify the matters that appear most material to the business based on the nature of its operations. We acknowledge that most assessments and reported information is subjective and we remain aware of potential limitations to our knowledge. If we believe the information in Integrated Reports or on company websites is insufficient, we may request -additional information from companies. This also helps to encourage management teams to give these factors greater consideration. Our approach is guided by the questions outlined below. Again, this list is not exhaustive and is designed to encourage the team to think critically. If we believe that a company is so detrimental to the environment that it renders the business model unsustainable, we exclude it from our investment universe. If we believe profitability is artificially high, we adjust for this in our analysis and may engage with management on the issues. Similarly, if we see evidence of the company taking a particularly proactive approach to environmental sustainability, it might positively influence our valuation of the company and encourage a larger position.

Does the company cause serious environmental harm by the nature of their business?	
If the answer is YES	If the answer is NO
• Is it clear that suitable actions are being taken to manage and mitigate these risks? • Could serious environmental harm negatively impact on the long-term sustainability of the business? • Can we reasonably account for these risks in our analysis? • Does the company provide sufficient information for us to answer these questions? Are there any gaps? Is transparency a concern?	• Does the company monitor and evaluate key aspects of their environmental impact? If not, what are the possible hidden risks? Is transparency a concern? • Are there signs of proactive measures and improvements? If not, is this likely to impact on the long-term sustainability of the business? • Does the company go above and beyond what is required? Is this likely to positively impact their future profitability?

Ownership Responsibilities

We are active owners and engage with companies on ESG concerns. We vote on decisions that affect corporate behaviour. This process is governed by our Proxy Voting Policy and recorded in our Proxy Voting Register. We have various opportunities to address ESG issues with management teams. These include public presentations, one-on-one engagements, and formal correspondence with boards of directors. We have a COI and a Personal Account Trading Policy, along with established processes to monitor compliance.

Climate Change

Understanding of the issue

Within the ESG framework, climate change is part of the environmental considerations. In this section we detail our approach to limiting climate change and/or the impact thereof.

There is overwhelming consensus that human activity is causing the planet to warm. The latest Intergovernmental Panel on Climate Change (IPCC)'s August 2021 report makes the situation very clear:

- Human influence has warmed the atmosphere, ocean and land, leading to widespread and rapid changes. The scale of these changes is unprecedented over many thousands of years. Each of the last four decades has been successively warmer than any decade that preceded it since 1850.
- Observed increases in greenhouse gas (GHG) concentrations since around 1750 are unequivocally caused by human activities. The best estimate of total human-caused global surface temperature increase from 1850–1900 (the pre-industrial base period for all climate change predictions) to today (2010–2019) is 1.07°C. There is a near-linear relationship between cumulative human-related CO_2 emissions and the global warming they cause.

- Human influence is either 'very likely' or 'extremely likely' the main cause of the global retreat of glaciers since the 1990s, the decrease in arctic sea ice since the 1980s, the warming of the upper ocean and accelerating sea level rise since 1970, and increased frequency and intensity of heatwaves since the 1950s. It is also likely that human influence has caused increased frequency and intensity of floods and droughts in many regions since the 1950s.
- Under all scenarios modelled by the IPCC, the planet will continue to warm over at least the next two decades. We will hit 1.5°C no matter what we do. However, we can limit the increase thereafter (and stay within the 2°C limit) if we begin dramatically reducing carbon dioxide (CO_2) emissions. We need to reach at least net zero carbon emissions somewhere between 2050 and 2075 with strong reductions in other GHG emissions.
- With every increment of global warming, all the changes mentioned here become larger which poses numerous threats to humans and the environment. For example, at 2.0°C, the frequency and intensity of heatwaves will double and droughts and floods will happen 30-40% more often (compared to today).
- Many of the impacts, such as changes to the oceans, ice sheets and sea levels, will be irreversible for centuries to millennia.

Under the Paris Agreement, 191 members of the United Nations Framework Convention on Climate Change have committed to the long-term goal of keeping the temperature increase to below 2°C, but preferably below 1.5°C. Getting to net zero will require an extraordinary amount of work from both Governments and the private sector.

As mentioned before, our approach is aligned with our values:

- We acknowledge that we are far from experts on climate change. We will not pretend otherwise. However, we value mastery and will put the effort in to keep learning for the good of our clients.
- We make decisions collaboratively as a team, valuing diversity of opinion. Climate change is a complicated problem which merits complicated debate.
- We don't tick boxes or greenwash to look good. We prefer a pragmatic approach of genuinely trying to understand the opportunities and risks.
- Whilst personal views and feelings naturally enter our discussions, our decisions are always made with our clients' best interests at heart.

Investment Approach to considering risks and opportunities

We consider climate change risks and opportunities when assessing the long-term sustainability of an entity's cash flows. Materiality of climate concerns will influence the level of assessment required. For example, a large industrial company and heavy power user would likely warrant more scrutiny than an asset-light services business.

We don't exclude entire industries or types of companies for two reasons:

- Firstly, the interplay between climate change and social considerations make these decisions highly complex. We believe a blanket approach might not always be reasonable or fair.
- Secondly, in some cases, we think that more value can be added as a responsible investor than by not investing at all.

The Task Force on Climate-Related Financial Disclosures (TCFD) sets out a four-pillar framework for climate disclosures covering Governance, Strategy, Risk Management and Metrics & Targets. In our analysis, we would typically consider the questions below, which we believe align with the TCFD:

- Will the business model (what they do) become less or more relevant in a low carbon world? If less, do they acknowledge this and are they adapting? How might this influence future performance?
- Are there climate change related regulatory changes that will have a direct impact on the business?
- Do the effects of climate change pose an increased risk to the company's physical operations? How are these mitigated, managed, or insured for?
- Are Scope 1 and 2 CO_2 emissions measured and reported using appropriate standards (e.g. GHG Protocol)? Is there evidence of improvement yet?
- Are Scope 3 CO_2 emissions measured and reported? Does the company proactively monitor their supply chain and broader impacts?
- Has the company set short- and long-term targets for CO_2 emission reductions? Are the targets aligned with UNFCCC goals?
- Is climate change given adequate importance within the corporate and governance structure? Do targets form part of managements performance metrics or scorecards?

An analyst's assessment of these considerations will form part of our discussions on whether a company is investible. This happens at our Investment Committee meetings which all fund managers and investment analysts attend.

If our assessment raises serious concerns about the sustainability of the business over the horizon of the investment, we will not invest. If concerns are raised that leave room for improvement, we may engage with the company's board and management team and will exercise our duty as active investors through proxy voting. We will also factor such concerns into our valuations and position sizing to manage the associated risks.

Our Business - Internal Sustainability Efforts

Sustainable Development Goals

Our current internal efforts contribute to the SDGs in the following ways:

- We contribute to goals 1 - No Poverty, 2 - Zero Hunger and 4 - Quality Education through our corporate donations to charitable initiatives. We have chosen to focus our efforts on education: supporting a school feeding scheme, high school bursary programme and impactful institute for tertiary education.
- We contribute to goals 5 - Gender Equality and 10 – Reduced Inequality in our internships, hiring decisions, internal development, company benefits and company structure. We value diversity, in every sense of the word, as we believe it enables us to deliver on our shared purpose to "protect and grow out clients' savings". This is outlined in our Normalisation Policy. Furthermore, all Granate employees are shareholders and thus share in the economic benefits of Granate's success.

- We want Granate to be a great place to work, supporting goal 8 – Decent Work. We have a flat organisational structure where all team members have a say in the strategic direction and culture of the business.

Environmental Considerations

We have taken the following actions within our operations to improve the environmental sustainability of our business:

- Granate currently separates waste and recycles whenever possible.
- Lunch is provided to all employees daily and prepared in our kitchen, thus reducing packaging waste.
- Our IT infrastructure is cloud based and fully integrated. This negates the use of printers on a day-to-day basis. We are encouraged to only use printers when there is no other practical alternative.
- We avoid printing presentation packs, preferring to use electronic formats. When physical presentations are required, we typically use condensed formats only requiring one page per presentation.
- We avoid drinking and serving water out of individual bottles.
- There is a hybrid policy on how many days people come to the office, with only three days being mandatory to work from the office. This results in less traveling and a lower carbon footprint.
- Carpools are encouraged to offsite events or Granate Gives back activities
- Where face to face interactions are not necessary, virtual meetings are encouraged.

We have room to improve and the above list will continuously grow as we become more deliberate in our environmental efforts.

Societal/ Social Considerations

Community is one of our values which consists of two components:

- Internal community, which includes our valued team members ('Granatians');
- External community, being the clients we support, the potential clients we seek to serve, the potential team members we would like to attract and our communities at large.

We are passionate about supporting this community and our efforts include the following:

- We host at least one intern every year.
- We offer a graduate program.
- We are consistently developing and upskilling our team members.
- Our Normalisation Committee facilitates our B-BBEE strategy and our Granate Gives Back endeavours.
- We are passionate about giving in both a monetary and non-monetary way, supporting various charitable initiatives. An example of non-monetary giving back is our involvement at Life Matters, an NPO focused on primary school literacy and numeracy.

Governance Considerations

Although we have numerous operational and governance structures in place, as detailed below, we always start at the "why". Our culture is built on a set of values, and we have formal processes in place to check that we are individually and collectively living our values. Embracing integrity as a value ensures that all our informal and formal dealings align with both the spirit and the word of the law. It also ensures that we actively seek the most honourable route at every fork.

In our co-created Guidebook to Granatia we outline what our culture means to us and the values we all subscribe to which govern how we act on a daily basis. This culture and value system permeates into how we deal with suppliers, colleagues, clients and how we make investment decisions.

Everybody has a voice at Granate, we place tremendous emphasis on psychological safety. This, we believe, ensures that people speak up when they are unsure or disagree and when they have made a mistake. This is one of the most important aspects of ensuring good governance across our organisation.

All permanent employees are shareholders in the business, owning 70% of Granate. This cultivates an ownership mindset and true empowerment which greatly benefits our culture.

Our formal structures include:

- Weekly team wide meetings to update the team on developments or any important approaching deadlines.
- Weekly executive committee meetings which deal with all business-related issues
- A Risk and Audit Committee
- A Compliance Committee
- Board and Audit and Risk charters
- Bi-annual board meetings: Our Board is made up of five executive members and two non-executive members who represent our minority shareholder. The board members have the necessary experience and diversity of skill sets required to meet the operational and sustainability objectives of the business. Board members are from diverse backgrounds.
- Business policies: We were meticulous in drafting these policies to ensure they are understandable and liveable and always consistent with the intended outcome.