

Environmental, Social and Governance (ESG): Policy Factor Guidelines

ESG complements our investment process. We have designed a way to compare non-financial data which is voluntarily disclosed and non-standardised. In order to do this, we have created a proprietary scorecard with ESG sub-factors. The assessments are primarily qualitative, but like our investment approach these qualitative assessments are an extremely powerful risk assessment tool. Using a database allows us to collect, collate and compare ESG scores across companies and sectors. Looking at the database over time allows us to track ESG momentum over the years.

Due to the reliance on voluntary data, it is essential that we trust the management teams and check the information we receive, matching up questionnaire responses with the information in the annual reports and sustainability reports.

We see ESG integration as part of the evolution of our investment process. The database allows us to assess the 3 criteria broken down as follows:

Environmental Factors

We look at 5 key factors regarding the environment, looking for measurable, objective data. We also publicly support the Task Force on Climate-related Financial Disclosures (TCFD). The criteria is focused on measurement and recording of aspects that have an environmental impact, highlighting risks identified and assessing how those risks are mitigated. Because of this, data verified by third parties have the highest scores.

Specifically, we look at the following aspects:

- Carbon footprint reduction
- Waste/water pollution
- Energy usage
- Renewable product usage/policies
- Innovative products/ technology

Each aspect is assessed using our proprietary scorecard, and weighted accordingly.

Social Factor Guidelines

We outline 6 primary factors as a means of assessment. Our investment process identifies companies that are in the sectors that capture the mega trends driving African growth and which have demonstrated an ability to continue to expand their market share. These companies drive economic upliftment which in turn has a direct social impact. With the demographics and urbanisation rates in favour of the African investment case, this aspect is integral to the sustainability of growth and the extent of a company's footprint. There are several sectors that directly align with this perspective.

We assess aspects covering the following:

- Bonus plans
- Health and safety
- AIDS programme

- Training
- Gender equality/gender gap
- Donations

Governance Factor Guidelines

This is a key factor in terms of assessing the quality of management. We like companies with proven good governance practices over the years. Our quality assets criteria include governance as an important sub-factor, contributing to stock selection. Understanding the materiality of governance has been driven by our research process over the years, resulting in 10 factors that we score quantitatively.

Specifically, overall factors incorporate the following:

- Presence of a sustainability committee
- Senior executive compensation
- Quality of management
- Financial statements quality
- Risk disclosure
- CEO/Chairman separation

Questionnaire

For companies in our portfolio and on our watchlist we send out a questionnaire to check congruency with the database and obtain more colour on material ESG aspects. The questionnaire and company responses are available for clients upon request.

Our ESG dashboard is available for clients upon request.