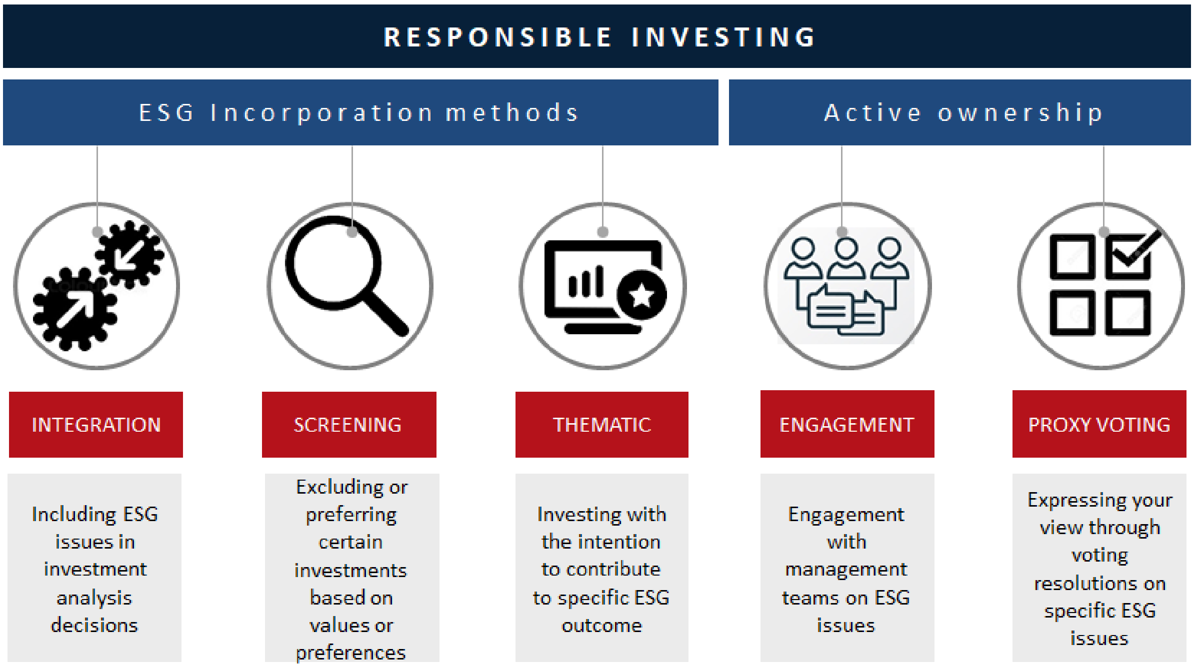
Environmental, Social and Governance (ESG) Policy

At Imara Asset Management our investment philosophy and process is uniquely long-term focused, in a competitive environment so obsessed with the short-term. We are a research-focused investment house. Our natural focal point is on identifying the aspects of a company that will impact long term investment performance. Consequently, we seek to consider other factors that might contribute to the creation of sustainable long-term investment returns over time, including factors of an Environmental, Social and Governance (ESG) character. ESG enhances our bottom-up approach and improves the risk-return trade-off.

Our stock selection is informed by both qualitative and quantitative criteria. The idea is to identify the positive attributes from winning positions as well as the negative attributes from losers (and avoid them); that is finding companies that are Masters of Circumstance as opposed to Victims of Circumstance. To this end, we see stock selection as the natural fit for where ESG integration is most impactful in our process, at the point of decision-making, informing the buy/hold/sell decision. We do not ignore our traditional financial metrics nor do we sacrifice returns to integrate ESG. Rather, the focus is on deepening our company-level analysis. We believe that a company with less considerations of ESG factors is more likely to underperform, particularly if there is no ESG improvement over time. On the flipside, a company with a good ESG score, that also ticks our internal scorecard has a high chance of sustaining attractive returns above the domestic cost of capital.

Responsible Investing



The UN PRI defines responsible investment as a strategy and practice to a) Incorporate environmental, social and governance (ESG) factors in investment decisions and b) active ownership.

Broadly, there are 3 ways to incorporate responsible investment into investment decisions – ESG integration, thematic investing and screening.

1. ESG Integration: Including ESG issues in investment analysis and decisions. Evaluating each investment individually and adding ESG alongside traditional investment methods to better manage risk and improve returns.
2. Screening: This could be exclusionary screening (negative screening), which is avoiding certain investments based on values, ethical concerns or preferences (e.g. arms manufacturers). Alternatively, positive screening (best in class selection) is preferring investments with better ESG performance relative to peers.
3. Thematic: Investing with the intention to contribute to a specific environmental or social outcome by targeting certain themes or sectors (includes Impact investing).

We use two of the methods above:

- Best in class selection (positive screening): We apply positive screening, preferring companies with higher scores, while engaging in dialogue with companies with poor ESG performance. We believe that negative screening, whilst well-intentioned, reduces the universe and disallows building a relationship that improves ESG practices across our Africa universe. Long term we believe that this kind of engagement-focused activity will encourage adoption of better practices.
- ESG integration: We evaluate each company individually and add ESG alongside traditional valuation methods. We look at each company to identify the ESG issues that are important to that company. Governance is of particular importance to us.

Active ownership:

Responsible stewardship of investments requires investors to encourage companies to improve their ESG practices. This is done in two ways:

1. Engagement with management teams on ESG issues
2. Proxy voting; expressing your view through voting and proposing resolutions on specific ESG issues.

We regularly execute proxy votes based on best-practice policies addressing ESG issues and engaging in dialogue with management. ESG is still in its nascency in Africa, the focus on engagement, allows for a more involved approach that we believe can help companies improve their ESG practices.

Analysing ESG risk remains highly subjective and there will always be exceptions to the rule. Many ESG issues can be contentious without necessarily adding anything to our ESG responsibilities.

Part of why we love working in Africa is having the ability to directly engage teams and see an improvement in business practices. We have several examples of company engagements where we believe our interaction with management has led to positive behaviour modification, particularly in smaller markets.

Investment Approach

Our approach is driven by deep and rigorous research using all material relevant information that might impact share price. We felt integrating ESG would start with understanding the materiality of E, S and G factors. From this, we have created a robust ESG integration process, to incorporate each aspect uniquely.

Our approach incorporates the following steps:

1. Training on ESG – ESG issues are numerous and complex. Correctly identifying and interpreting material ESG factors is not intuitive. Even the most experienced managers have to dedicate time to understanding ESG factors through the correct lens. ESG training is mandatory for analysts and continual education encouraged which dovetails with CFA charter holder commitments. Without practitioners that are educated to correctly identify the relevant risks, it makes it impossible to discern what is material. Training on ESG matters is key as this allows us to improve ESG at every level of our investment process.

2. Research: All our Portfolio Managers and analysts with the appropriate training have the capability to source and analyse ESG information. The work begins with collection and collation of pertinent information. To do this, we have created a proprietary scorecard that allows us to compare companies based on their ESG performance. This allows us to compare ESG scores across companies and sectors. Using a scorecard puts into context a company's ESG performance and quantifies it. This is a continuous process, as we add more companies into the database.

3. Integration into investment process – We integrate material ESG factors into stock analysis, selection, strategic asset allocation and risk management. ESG complements our investment process. Historically we had focused on governance in our assessments of a company, therefore it was quite easy to incorporate Governance sub-factors into our approach.

We wanted a way to compare non-financial data which is voluntarily disclosed and non-standardised. The best way to do this was by creating a proprietary scorecard which had ESG sub-factors. A key benefit of having our own in-house ESG database, is that it facilitates dedicated meetings to discuss these proprietary scores and assesses the potential impact of ESG issues on investment performance alongside our traditional investment metrics.

Furthermore we have a company questionnaire sent to company Investor Relations teams. The assessments are primarily qualitative but like our investment approach these qualitative assessments are an extremely powerful risk assessment tool. Once collated over time, the database 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. Africa still flies below the radar because of its smaller size, therefore there are not many ESG data providers. Some sub-factors have got clear objective criteria e.g. Greenhouse gas protocol and gender-gap reporting frameworks, while others are at the start of development.

ESG Integration Process

Underlying our investment approach are three fundamental objectives:

- To enhance and protect shareholder value as well as minority shareholder rights;
- To respect the wishes of our clients' Statement of Investment Principles;
- To identify potentially material ESG risks.

To achieve these objectives, we undertake qualitative assessments of the ESG weaknesses of companies so as to understand their risks. This may lead to active engagement with management and, where necessary, escalation to their governing bodies. Furthermore, we recognize that the right to vote proxies is a significant asset of our clients and we endeavour to exert influence as a shareholder to achieve constructive outcomes on behalf of our clients.

Our objective at Imara Asset Management is to outperform our benchmarks and to not give up anything from a yield perspective, but by looking for socially responsible companies we should at least be lowering our risk and enhancing returns.

We have created a database of African companies in our portfolio and on our watchlist. We score each company based on environmental factors, social factors and governance factors which are then weighted to create an aggregate ESG score. We also send out an annual questionnaire, the responses to the questionnaire are also scored and incorporated into the database. The Sustainability Accounting Standards Board (SASB) Materiality Framework is integrated as an overlay, a lens through which to view pertinent sustainability issues that have a direct financial impact. This overlay helps us to identify the relevant financial indicators and allows for comparisons across sectors and companies, further calibrating qualitative and quantitative information. ESG scores incorporate SASB Materiality Framework outputs.

The aggregate ESG score of each company is incorporated into our central research dashboard and assessed alongside other key investment metrics to inform our investment decisions. If a company has a poor ESG score or low and declining ESG scores it leads to a deeper analysis of the company which usually involves dialogue with management before an investment decision is made. The database allows us to integrate ESG at both the research level as well as at the portfolio level when doing our risk management, portfolio allocation and asset allocation.

Our commitment to ESG integration incorporates public support for the FSB’s Task Force on Climate-related Financial Disclosures. Additionally, we publicly support the Paris Agreement, holding companies in our portfolio and on our watchlist accountable to their energy-saving targets.

In our approach, we aim to identify 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 tend to have ESG encoded in them, it is part of their core business processes, they aim to capture the African growth story and drive economic upliftment.