

## Environmental, Social and Governance (ESG): Screening Policy

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.

- **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.
- **Screening:** This could be exclusionary screening (negative screening) which is avoiding certain investments based on values, ethical concerns or preferences (e.g. arms manufacturers). Or positive screening (best in class selection), preferring investments with better ESG performance relative to peers.
- **Thematic:** Investing with the intention to contribute to a specific environmental or social outcome by targeting certain themes or sectors (includes Impact investing).

We focus on Best in class selection (positive screening): preferring companies with better ESG performance relative to peers. We have an ESG score for all of our companies and we attach a higher score to companies that have better ESG policies and implement those policies in a clear, consistent manner. We are continually updating our database as more information becomes available.

We do not perform negative screening, rather we prefer companies with higher scores and engage in dialogue where we see a company has 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 engagement-focused activity will encourage adoption of better practices. 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.

Screening helps us to delineate the universe based on ESG factors. We see screening as part of the broader ESG integration policy. (See ESG Policy document)