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GRAYSWAN

RESPONSIBLE INVESTMENT POLICY

Introduction

GraySwan is entrusted with the stewardship of our clients' assets, and this is a responsibility that we take very seriously as responsible, considered investment professionals. This policy sets out the approach of GraySwan to responsible investing, and includes our policy with regards to Environment, Social, and Governance ("ESG") issues and sustainability which is integrated into our investment philosophy.

GraySwan was the second investment consulting firm to become a signatory of the United Nations Principle of Responsible Investment ("PRI") and is guided by the principles as outlined by the PRI. We also actively endorse the Code for Responsible Investing in South Africa ("CRISA").

Specifically, GraySwan commits to ensuring that a focus on responsible investing and ESG is incorporated into all of our advisory, consulting, and asset management decisions. We will educate our clients on ESG issues and actively engage with them to help them develop their own ESG policies, implement their ESG requirements and monitor the effectiveness of these policies. We will report on the effectiveness of our ESG policy implementation to the PRI annually.

This policy applies to all staff across the GraySwan group of companies and is subject to oversight by the Investment Operations and Compliance team ("IOC"), and approval by management.

ESG

The PRI promotes a focus on ESG factors within the investment management industry.

Environment: Environmental considerations are paramount to sustainability and are a significant focus within responsible investment. Climate change, deforestation, pollution, methane, water use, and carbon emissions are all examples of environmental factors that should be and are considered as part of our responsible investment framework.

Social: Social issues such as human rights community impact and employment, working conditions, health and safety standards, anti-corruption, empowerment of minorities or previously disadvantaged groups, poverty, poor education, and modern slavery should be considered within our RI framework. Economic sustainability and long term growth will be determined by the ability of investors to address social issues and to direct capital towards investments that have a positive social impact. Social inequality and social development are two key focus areas in South Africa.

Governance: Investor focus on good governance promotes healthy corporate management. Proxy voting and management engagement are two tools that are used to address governance issues (promote improved governance and address issues such as tax avoidance, executive pay, and corruption). Proxy voting and management engagement can also be effective in forcing change in a company's approach to environmental and social issues. Factors such as anti-corruption, alignment of interest, executive compensation, board independence and strength, shareholder's rights and ethical conduct are considered within our RI framework.



Definitions

“Responsible Investment” (RI): RI describes the investment management processes and ownership practices that take Environmental, Social and Governance (ESG) considerations into account in the belief that these factors can have an impact on long-term financial performance.

“Sustainability”: As per the FSCA’s Guidance Notice 1 of 2019, “Sustainability” means the ability of an entity to conduct its operations in a manner that meets existing needs without compromising the ability of future generations to meet their needs. **“Sustainable Reporting”:** As per the FSCA’s Guidance Notice 1 of 2019, “Sustainable reporting” means a report produced by an entity to inform stakeholders about its policies, programmes and performance regarding ESG factors.

“Environmental, Social and Governance”: As per the FSCA’s Guidance Notice 1 of 2019, “Environmental, Social and Governance” (ESG) factors means environmental, social and governance factors. In the South African context and specifically in respect of assets located in South Africa, these factors include, but are not limited to, the manner in which broad based black economic empowerment is advanced.

“CRISA”: The Code for Responsible Investing in South Africa (CRISA): A list of five Principles for RI specifically, in line with UNPRI, aimed at the South African investment community. The CRISA secretariat has been moved from under the Institute of Directors of South Africa (IODSA) to fall under the ASISA umbrella.

“UNPRI”: The United Nations-backed Principles for Responsible Investment: A list of six Principles for RI defined by the international investment community.

GraySwan’s stated policy

GraySwan believes that ESG factors do have a material impact on long-term investment outcomes:

- Sound environmental management forms an essential part of sustainable economic growth and social development and is one of the basic ingredients for corporate sustainability;
- The mismatch between social and private financial returns is not sustainable as the two need to be aligned if the market system is to be sustainable; and
- Enhanced corporate governance mitigates the risk of corporate failure, which ultimately leads to improved long term returns.

Our goal is to achieve the best possible risk-adjusted returns for our clients, considering all factors that influence investment performance. Consequently, the principles of responsible investment are core to our investment philosophy and the consideration of ESG factors is integrated into our investment process.



In addition, GraySwan believes it has a role to play as a responsible global citizen for a sustainable future and that it is in our power as client advisors and consultants to ensure that our investment recommendations and decisions are made with responsible investment criteria at the fore-front.

We believe that we can encourage our clients to adopt global responsible investing best practice as an integral part of their investment philosophy and have been proactive in assisting our institutional clients to adopt their own responsible investment policies.

We believe we are at the leading edge of asset advisors and consultants in implementing sound responsible investment practices for our clients. As part of this service to our clients we actively monitor their portfolio investments to ensure adherence to policies at an investment level. We encourage clients, and trustees on behalf of beneficiaries and members, to demand greater transparency about where and how their money is being invested.

PRI Principles

- 1. Incorporate
- 2. Active Owners
- 3. Seek Disclosure
- 4. Promote
- 5. Collaborate
- 6. Report

CRISA Principles

- 1. Incorporate
- 2. Active Owners
- 3. Promote
- 4. Manage Conflicts of Interest
- 5. Transparent Policies

RI framework

GraySwan has adopted a RI framework that is based on the 6 principles of the PRI as well as the five pillars of CRISA. GraySwan is predominantly a manager of managers, whether this is on behalf of clients or for our own fund of funds. The implementation of our own ESG policy is therefore predicated on ensuring that the managers we select and recommend for investment have ESG policies and RI frameworks in place that are:

- Culturally aligned to our own ESG policy and RI principles and beliefs;
- Appropriate to the asset class they manage;
- Integrated into the key performance measures of investment decision makers.

Specifically, we would focus on understanding the underlying manager's approach to:



RI Integration

Our role is to ensure that potentially material ESG risks, and opportunities are integrated into investment decision making processes of the investment managers which we appoint to manage client assets or which we recommend to clients. RI integration will depend to some extent on each asset class:

- Fixed interest investment managers should, where relevant, integrate RI into their assessment and valuation of bonds and to also, where relevant and possible, consider infrastructure development in South Africa including roads, water, and energy generation.
- Listed equity investment managers and hedge fund managers should integrate RI into the fundamental earnings forecast and discount factors used for the calculation of the fair value of the companies in which they invest. The investment managers then need to engage with the management of the companies in which they invest in order to enhance and increase value of their investments. Most of our recommended South African Equity managers now report on their carbon intensity for the first time we require them to continuously improve on this reporting to reflect their progress and real world change. We will also be requesting our offshore equity managers to report on their carbon intensity.
- Listed property and direct property investment managers should, where relevant; include the consideration of an investment into local community property development. Whilst our focus has been to monitor and engage with our selected investment managers on driving good corporate governance as the key pillar to our RI framework, we never lose sight of our broader framework to encourage responsible environmental and social practices of the companies or investments in which our selected investment managers invest.

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Listed Equity Active Ownership

As per the FSCA's Guidance Notice 1 of 2019, "active ownership" means the prudent fulfilment of responsibilities relating to the ownership of, or an interest in, an asset. These responsibilities include, but are not limited to:

- guidelines to be applied for the identification of sustainability concerns in that asset;
- mechanisms of intervention and engagement with the responsible persons in respect of the asset when concerns have been identified and the means of escalation of activities as a holder of that asset if these concerns cannot be resolved; and
- voting at meetings of shareholders, owners or holders of an asset, including the criteria that are used to reach voting decisions and the methodology for recording voting.

GraySwan requires the selected investment managers to, where relevant, engage with investee companies on RI and ESG factors and to vote proxies accordingly. GraySwan monitors the quarterly voting records of each selected investment manager to ensure ongoing compliance with proxy voting and RI policies of that investment manager, which are reviewed annually.



Investing for Impact

Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. The growing impact investment market provides capital to address the world's most pressing challenges in sectors such as sustainable agriculture, renewable energy, conservation, microfinance, and affordable and accessible basic services including housing, healthcare, and education. Investing for impact as a strategy is one which is recommended to clients where appropriate and GraySwan's investment team maintains a list of impact investment products.

Investing thematically

Thematic responsible investing includes highly targeted investments in which Environmental and Social impact themes and related needs create opportunities for investors (e.g., water scarcity, climate change, energy efficiency, financial services). Investing thematically means to invest in a theme that relates to E,S andG. For example, considering an investment into "green" projects. GraySwan is developing a range of thematic investment vehicles which provide exposure to global themes or mega trends and have ESG considerations at the fore-front of the investment selection.

Collaboration

GraySwan will explore collaborative initiatives that are aligned with our approach to RI.

Ongoing education and training

We continue to strive to improve our own understanding of the requirements of RI and ESG and the ways in which we can improve the effectiveness of our internal policies and frameworks. GraySwan staff are encouraged to attend global seminars, webinars, and panel discussions on all topics that relate to responsible investing and effective stewardship.

Implementation

We aim to select and recommend underlying managers that at all times:

- Act as a good stewards and implement responsible investment and engagement practices;
- Systematically integrate ESG factors into their investment decisions;
- Ensure the analysis of ESG materiality before and after investment decisions;
- Have systems in place to identify (and where needed address) positive and negative outcomes caused by their investments; and
- Undertake to provide adequate public/transparent disclosure of their ESG outcomes.

The GraySwan investment team is accountable for incorporating ESG factors into the investment analysis of all investments which includes:

- Detailed analysis and monitoring of the responsible investment policies (including proxy voting and ESG policies) of each of the underlying managers;
- Review of PRI membership and reporting, proxy voting record, quarterly engagement reports and annual stewardship reports issued by the underlying manager;
- Annual review of underlying manager ESG activity and engagement (including proxy voting and environmental focus) by way of detailed questionnaires; and
- Engaging with the underlying managers where needed on issues and concerns related to responsible investing.



Client advisors and consultants are accountable to clients for raising their understanding of GraySwan's approach to responsible investing and assisting clients (specifically institutional clients) to:

- Develop and maintain their own responsible investment, ESG, and proxy voting policies where possible;
- To assist in manager selection from an ESG perspective-i.e., to identify an investment manager that has the people, processes, and expertise to meet the ESG requirements specified by the client in the investment mandate;
- To communicate these policies to the underlying managers who are designated to manage a portion of the client portfolio;
- To monitor the client portfolio for adherence to their policies; and
- To ensure the client can provide adequate transparency and reporting to their stakeholders, members, and beneficiaries.

Client fund monitoring may include:

- Proxy voting analysis (how client assets were voted in aggregate and per underlying manager, particularly on material issues);
- Carbon footprint reporting

This monitoring may be performed by GraySwan staff or may be outsourced to approved service providers.

Responsible investment policy training and awareness

Training and awareness of this policy and the obligations in it is provided to staff as required. Such training may be directly, via the use of Webinars or in writing in the form of written articles, research pieces and case studies.

Conflict of interest

GraySwan maintains a conflict of interest policy and reports on any conflicts on a quarterly basis. The policy outlines the approach to avoiding conflict where possible. GraySwan will ensure that each underlying investment manager has an appropriate conflict of interest policy and has disclosed all relevant conflicts. GraySwan will avoid recommending investment managers where a disclosed conflict may be seen to compromise independence.

Corporate social responsibility

Winston Churchill said, "We make a living by what we get, but we make a life by what we give." Since the inception of Gray Swan Financial Services (Pty) Ltd, we have allocated our time and profits to the Gray Swan Charitable Trust (GSCT). Via our Trust, we make a meaningful difference in the lives of the less privileged. The sole purpose of the GSCT is to be a channel through which GraySwan and other companies or individuals can generously give to make a difference.