

Responsible Investment Policy and Procedures



PREPARED IN TERMS OF:

United Nations' Principles for Responsible Investment (PRI)
The Second Code for Responsible Investing in South Africa (CRISA 2)

PURPOSE OF THIS POLICY:

The purpose of this policy is to outline our commitment to investing responsibly.

TABLE OF CONTENTS

1. Introduction	1
1.1. About us	1
1.2. Our investment approach	1
1.3. Our investment process	1
1.4. Our approach to responsible investing	1
2. Our commitment to responsible investing	1
2.1. The United Nations' Principles for Responsible Investment	1
2.2. The Second Code for Responsible Investment South Africa (CRISA 2)	2
3. Responsible investing as part of our investment process	2
3.1. Assessing ESG performance and risk	2
3.2. ESG screening	2
3.3. Engagements	2
3.4. Proxy voting	2

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1. Introduction

1.1. About us

Denker Capital is a leading Cape Town-based investment manager, passionate about discovering investment opportunities in South Africa and around the world. We actively manage a range of strategies and work collaboratively with financial advisers and investment product providers to enable investors to build and protect their wealth.

'Denker' means 'thinker' in Dutch. We are a team of in-depth thinkers in pursuit of a vision to be our clients' greatest discovery.

1.2. Our investment approach

- We focus on company fundamentals.
- We invest in companies when they are attractively priced relative to their long-term return potential.
- We invest with patience and for the long term.
- We understand and manage risks.

1.3. Our investment process

There are three things we look for in a company, these are:

- Good business economics
- Competent and trusted management
- Favourable valuations

1.4. Our approach to responsible investing

Sustainability issues relating to the quality of companies' relationships with their stakeholders, their responsible stewardship of natural resources and corporate governance may influence company valuations and capital allocation decisions.

Accordingly, sustainable (or responsible) investing forms part of our investment process to enable us to identify companies with the ability to deliver sustainable returns for shareholders. To guide this process, we are signatories to the United Nations' Principles of Responsible Investment (PRI) and subscribe to the principles of The Second Code for Responsible Investing in South Africa (CRISA 2). In addition, we have established an ESG Policy to further guide our investment process.

2. Our commitment to responsible investing

2.1. The United Nations' Principles for Responsible Investment

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating environmental, social, and corporate governance (ESG) issues into best investment practice. These Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system. As an asset manager, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that ESG issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time).

As a signatory to the Principles we publicly commit to adopting and implementing them, where consistent with our fiduciary responsibilities. We also commit to evaluating the effectiveness and improving the content of the Principles over time. We believe this will improve our ability to meet commitments to our beneficiaries as well as better align our investment activities with the broader interests of society. We encourage other investors to adopt the Principles too. Our commitment to these Principles is detailed below.

2.1.1. We will incorporate ESG issues into investment analysis and decision making processes.

We will ensure that ESG tools, metrics and analysis are incorporated into our investment process. If required, we will ensure that our investment professionals receive ESG training.

2.1.2. We will be active owners and incorporate ESG issues into our ownership policies and practices.

We will monitor compliance with our voting policy, as documented in our ESG Policy, and will file shareholder resolutions consistent with long-term ESG considerations. We will engage with companies to highlight our concerns around sustainability issues. Where we deem it to be necessary, we believe we can make an impact through activism.

2.1.3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.

We will request that ESG issues be integrated within annual financial reports. We will support shareholder initiatives and resolutions promoting ESG disclosure.

2.1.4. We will promote acceptance and implementation of the Principles within the investment industry.

We will provide Principle-related information when requested by clients and potential clients. We will align investment mandates, monitoring procedures, performance indicators and incentive structures accordingly (for example, we will ensure investment processes reflect long-term time horizons when appropriate). We will also support the development of tools for benchmarking ESG integration and regulatory or policy developments that enable implementation of the Principles.

2.1.5. We will work together to enhance our effectiveness in implementing the Principles.

We will support and participate in networks and information platforms to share tools, pool resources, and make use of investor reporting as a source of learning. We will collectively address relevant emerging issues and develop or support appropriate collaborative initiatives.

2.1.6. We will report on our activities and progress towards implementing the Principles.

We will disclose how ESG issues are integrated within our investment practices. We will communicate with boards about ESG issues and the Principles when the need arises and be transparent with clients on how we deal with ESG issues. We will make our UNPRI reporting and proxy voting available to clients and potential clients.

2.2. The Second Code for Responsible Investment South Africa (CRISA 2)

CRISA 2 applies to asset managers, asset owners (for example, pension funds and insurance companies) and service providers (for example, asset and fund managers and consultants). It gives guidance on how asset managers, asset owners and service providers should execute investment analysis and investment activities and exercise rights so as to promote sound governance. This guidance is offered in five key principles, which we commit to following.

2.2.1. **Integration:** Investment arrangements and activities should reflect a systematic approach to integrating material environmental, social and governance (ESG factors).

2.2.2. **Stewardship:** Investment arrangements and activities should demonstrate the acceptance of ownership rights and responsibilities diligently enabling effective stewardship.

2.2.3. **Capacity building & Collaboration:** Acceptance and implementation of the principles of CRISA 2 and other applicable codes and standards should be promoted through collaborative approaches (as appropriate) and targeted capacity building throughout the investment industry.

2.2.4. **Governance:** Sound governance structures and processes should be in place (including at all levels of the organisation) to enable investment arrangements and activities that reflect and promote responsible investment and diligent stewardship, including proactively managing conflicts of interest.

2.2.5. **Transparency:** Investment organisations should ensure disclosures are meaningful, timely and accessible to enable stakeholders to make informed assessments of progress towards the achievement of positive outcomes

3. Responsible investing as part of our investment process

3.1. Assessing ESG performance and risk

We subscribe to MSCI ESG Research and Refinitiv, which assist our investment professionals to gain a better understanding of company ESG practices and risks they may pose in our current or potential portfolio holdings and to analyse ESG performance across peer groups.

3.2. ESG screening

The companies we invest in are screened and those that have below average environmental, social or governance scores are flagged. Further research is then done to determine the reasons for the low scores.

3.3. Engagements

As part of our research process, our investment professionals engage company management teams. As long-term investors, these engagements are a crucial part of our process.

Where necessary, we may collaboratively engage with other investors to solve a sustainability issue where we believe it is in our clients' best interests to do so. We will only take this course of action when it is not prohibited by law or regulation and we prefer to do this only after other engagements, such as proxy voting, have not made an impact on the company in question.

3.4. Proxy voting

Shareholder meetings and annual general meetings are forums where shareholders can influence the direction of a company by exercising their voting rights. This gives shareholders, such as ourselves, the ability to influence a company's sustainability.

Our proxy voting is outsourced to Sanlam Corporate Governance Unit (CGU). The CGU policy guidelines are consistent with internationally accepted best practice. The guidelines are based on South Africa's Companies Act (No. 71 of 2008) and JSE Listings Requirements which incorporate the King Report on Corporate Governance for South Africa (King IV). These guidelines set out how we vote proxies on behalf of investors in our unit trust funds and institutional investors who have not included their own voting instructions in their investment mandates. They are not exhaustive and will be updated periodically to reflect local and global developments. Note, we retain the right to vote differently from the recommendations made by Sanlam CGU.

For the global companies that we invest in on behalf of our clients, the following guidelines are adhered to:

- Where the aggregated holding in a company is below 2% of the market capitalisation of the company, no action in respect of proxy voting is taken.
- Where the aggregate holding in a company is greater than 2% of the market capitalisation of the company, votes at our disposal are exercised in the best interest of our clients.

We believe the voting principles outlined in our ESG Policy are consistent with achieving sustainable risk adjusted returns for investors.