



ESG & Shareholder Engagement Policy

December 2020

Laurium Capital (“Laurium”) is an employee owned boutique asset manager with offices in Johannesburg, Cape Town and London. Founded in 2008, by Murray Winckler and Gavin Vorweg, Laurium has grown to R33bn in assets under management and provides a suite of long-only and hedge fund strategies which invest in South Africa as well the as the rest of the African continent.

Our team strives to generate returns and service in excess of client expectations. We combine on-the-ground research with extensive local market knowledge to seek investment opportunities. At Laurium, we believe that high standards of corporate responsibility generally make good business sense and have the potential to protect and enhance investment returns. We incorporate Environmental, Social, Governmental (“ESG”) issues into our investment decision-making process in a way that is fully consistent with our long-term investment horizon. We believe that companies cannot achieve sustainable economic success while neglecting their social and environmental responsibilities.

Laurium has been a **United Nations PRI signatory** since July 2018. Our Firm also looks at the Code for Responsible Investing in South Africa (CRISA) as well as the requirements under Regulation 28 of the Pension Funds Act for guidance on how we should execute investment analysis and investment activities and exercise rights to promote sound governance.

Scope & Purpose

The **Laurium ESG and Shareholder Engagement Policy** provides investors insight and understanding of how the Laurium team thinks about and incorporates ESG matters into our investment decisions.

Laurium is dedicated to achieving the **best possible risk-adjusted returns** for our investors and we believe that responsible investment is essential in maximizing returns to our clients. As part of our investment process, we assess and manage any foreseeable risks and opportunities and we consider ESG factors as an element in our assessment and take ESG issues into account when, in our view, these issues have a material impact on either investment risk or return.

We are committed to continuing to integrate ESG considerations into our investment management processes and ownership practices in the belief that these factors form an important consideration in a repeatable and **sustainable investment process**. ESG factors are an input into our investment process, not an objective. Our objective remains to make financial judgments on the risk and rewards of investments. We do not look to exclude companies or sectors from our investable universe but rather to analyse and monitor the ESG issues

that may have an impact on the financial performance of a company.

The team incorporates ESG issues into our investment decision-making process in a way that is fully consistent with our long-term investment horizon. We believe that companies cannot achieve sustainable economic success while neglecting their social and environmental responsibilities. Corporate social responsibility has the potential to increase the quality of a company's earnings stream and consequently its long-term investment potential.

Our **ESG integrated approach** is relevant across all the asset classes, sectors and markets in which we invest. We are cognisant of the fact that every company operates under significantly different conditions and a one size fits all approach is not appropriate. We are therefore reasonable and pragmatic in applying standards, giving due consideration to each company's specific circumstances and the market in which it operates. This Policy defines our approach.

ESG Approach & Integration

The Laurium team are active owners of the businesses in which we invest. This means we look to **influence and drive shareholder value through active communication and engagement** with the underlying investee companies as well as exercise our voting rights.

Laurium strives to gain an **in-depth understanding** of the relevant ESG issues applicable to our investments and to identify these issues before they escalate into events that may potentially threaten the value of our investment.

Incorporating ESG issues into our analysis is the responsibility of the entire investment team. ESG integration is done at the analyst level across their respective coverage of stocks and securities. It is the analysts' jobs to identify potential issues and incorporate it into their analysis and engage with companies where appropriate. Our portfolio managers are also active in analyzing the potential effects of these factors when making investment decisions.

Laurium's approach to integrating ESG factors into our investment analysis includes the following activities:

- 1 In-depth research**
- 2 Active ownership**
- 3 Company engagement**
- 4 Collaboration within the investment industry**

In-depth Research & Training Programmes

The cornerstone of our investment approach is **bottom-up research**. As well as studying financial results, our portfolio managers and analysts are dedicated to carrying out additional qualitative analysis of potential investments. They visit companies in person, examining everything that could influence business, from the shop floor to the boardroom. Customers and suppliers also come in for scrutiny. In this way we can develop a **360-degree view** of every company in which we invest and ESG factors are regularly considered in this research process.

Our analysts are responsible for analyzing companies in order to develop a deep understanding of their business, their fundamentals, their valuation, their outlook and, above all, their specific areas of risk. Part of

this analysis includes identifying ESG factor risks. This helps us to identify investment opportunities and avoid those companies where poor fundamentals, which have not been recognized by the market, could weaken performance and potentially lead to a permanent impairment of investment capital.

In valuing companies, we believe that their value is determined by discounting the cash flow and earnings stream over the life of the company and not a single year's earnings. Where ESG factors are not considered or are not taken seriously by companies, this is likely to impact the long-term earnings and cash flow stream of the company. As such an ESG assessment is performed by the analyst on all companies that we cover.

As part of the coverage of each company in which Laurium is invested the analyst on the company is expected to complete an ESG "one pager". This has a set of considerations that the analyst should consider on each company, under each of the components of environment, social and governance. The factors under consideration in each component are guided broadly by the UNPRI ESG principles. The analyst is required to conclude on ESG in the one pager, and this conclusion is incorporated by the portfolio manager in constructing the portfolio.

Examples of ESG factors that our analysts and portfolio managers may consider include:

- Changes to regulation (e.g. laws on environmental pollution, governance codes)
- Physical threats (e.g. extreme weather)
- Cost implications (e.g. reduced cost of capital, environmental improvements)
- Brand/Reputational issues (e.g. poor health & safety records, excessive remuneration, poor labour practices)
- Fines (e.g. polluting incidents)
- Gaining access to raw materials (e.g. security of oil supply, commitment to preserving the natural environment)
- Product evolution (e.g. low energy products, medicines)
- Shareholder rights (e.g. election of directors, capital amendments)

Active Ownership & Engagement

Laurium pursues an **active investment style** through portfolio management decisions and maintains an **ongoing dialogue** with management. As owners of the business in which we invest, it is our duty to **drive value** as well as be good stewards. This means we look to influence and create shareholder value through active communication and engagement with the underlying investee companies as well as exercise our voting rights.

Engagement with companies is also part of our analysts' fundamental approach and we engage with issuers communicating to them any specific concerns we may have in respect of ESG issues. This involves holding regular meetings with companies, at Board and Senior Management level, to discuss specific results or events as well as a more informal dialogue incorporating site visits and other research initiatives. The team typically meets with company management on a quarterly or semi-annual basis. In addition to regular meetings, frequent dialogue in terms of conference calls and emails are used to engage with the companies on topics which include ESG related matters.

Laurium is generally supportive of the management of the companies in which we invest, but we will nonetheless form our own views on the strategy and governance of a business. These form part of our dialogue with companies. On occasion, our views will differ from those of management and where this is accompanied by a failure to achieve our reasonable expectations for shareholder return, we will consider promoting change, to the extent we can. Our specific response will be determined on a case-by-case basis, after weighing up the relative merit of intervention or a sale of the shares. Typically, we will choose to attempt

to intervene to promote change when the expected benefits of intervention (through increased returns to our investors) outweigh the anticipated cost.

We do not screen out companies from our investment universe purely on the grounds of poor ESG performance but rather adopt a positive engagement approach whereby we discuss these issues with the management of the companies in which we invest or are considering investing on behalf of our clients. We use the information gathered during these meetings both to inform our investment decisions and also to encourage the company's management to improve procedures and policies. We believe that this is the most effective way to improve corporate responsibility in our investee companies.

Our eventual goal from these activities is to enable us to gain greater insight into the company's ESG processes, to further our understanding on the issues and to learn how these concerns are being managed by the company.

We believe it is an advantage to us and our clients to build positive relationships with our investee companies as this enhances our ability to introduce constructive change where required.

External Research Providers

Laurium uses several external research sources globally that provide ESG-themed reports. Third party research is used as a complement, and not exclusively, to our in-house research capabilities.

We receive three types of reports:

- Company-specific reports
- Industry-specific reports.
- Research on an ad hoc basis which will deal with specific environmental, social and/or governance themes.

We will continue to utilise the services of ESG experts, where appropriate, to assist with educating the team, developing a system to further integrate ESG into our investment-making decision as well as measuring ESG performance.

Voting

In terms of being **a responsible custodian of assets**, we will effectively exercise our shareholder rights on behalf of our clients. Our guiding principle is to make proxy voting decisions which favour proposals designed to maximise a company's shareholder value and are free from the influence of conflicts of interest. We require accountability for setting and executing corporate policies, goals and compensation. This should generally rest with the board of directors and those charged with governance of companies. In the event we are voting against management on a certain resolution, we look to engage with management or the Board to explain why we are doing so and give alternative options and resolutions.

More information can be found within our Proxy Voting Policy which can be found on our website at www.lauriumcapital.com or upon request.

Collaboration

We do believe many voices are stronger than one. Whether it be a shareholder of reference or another friendly party, we will engage and collaborate with other asset owners to influence and drive value. These instances are not frequent, but we are open to this sort of dialogue and initiative when deemed appropriate.