



STANLIB Multi-Manager
ESG Policy

Coverage

Incorporating ESG into the Investment Process

Version

March 2021 – Reviewed

Responsibility of

Chief Investment Officer
Head of Manager Research

Contents

Contents	2
ESG Investment Policy Overview	3
Shareholder Activism	3
Proxy Voting	4
Environmental, Social and Governance (ESG)	4
Code for Responsible Investment South Africa (CRISA)	5
ESG Integration	6
Four levels of integrations	6
Integration within components of the investment process	7
Responsibilities	8
Approval and Noting of this Policy	8
Policy Administration	8
Legal Notices	10

ESG Investment Policy Overview

Scope

This policy document governs various STANLIB Multi-Manager (“SMM”) investment-related matters, including; proxy voting, shareholder activism, and ESG (environmental, social and governance). These policies will apply where investments are made directly by the funds managed by us, and where investments are made indirectly through sub-advisors (asset management companies) appointed by us to manage certain mandates on behalf of funds managed by us. This policy document should be viewed in the context of the SMM’s Investment, Risk and Governance Frameworks.

This cannot apply where investments are made through other pooled vehicles where no mandate is given to the underlying asset managers i.e. where we invest in their pooled vehicles alongside many other investors. We will however, in these cases, consider those fund manager’s investment policies. This policy document will be considered annually by the SMM Investment Committee and reviewed and reapproved in full every three years by the SMM Executive Committee (both committees having initially approved this document).

Principles

The following key principles underpin this policy document:

- We will always attempt to establish policies that are in the best interest of our investors.
- These policies will also comply with all relevant regulation and legislation.
- We promote full disclosure and transparency around our policies, and the actions and outcomes that result directly from these.

We are a long-term institutional investor and a ‘universal’ owner. For these reasons we regard investment governance and active ownership of importance in serving the interests of our investors. This policy, and the actions governed by this policy, represents our commitment to industry standards of good governance.

Shareholder Activism

Corporate engagement means to have discussions with a company, usually at Board or at least senior management level, with the objective of changing the behaviour or the policies of that company. This will generally occur when we or our managers have identified underperformance by a company, or where the company has failed to meet accepted corporate practice or where the company’s conduct places in doubt the reputation and value of the company. The issues addressed may focus on material environmental, social and governance (ESG) factors or business strategy issues – for example, mergers and acquisitions, capital structure and capital allocation, or remuneration policies. In general, these discussions will be conducted on a confidential basis to encourage trust and openness thereby increasing the likelihood of beneficial change and unlocking long-term value for our investors.

The primary responsibility for this is outsourced to our managers as they have selected the shares to invest in and assume the responsibility of extracting the maximum value from these shares by ensuring that they engage with management that are not focussed on maximising long-term shareholder value (in their opinion).

Proxy Voting

We consider the voting rights assigned to shares to be a significant part of the value attached to shares. The price difference between shares with and without voting rights (with all else being equal) is evidence to this. We also see scrip lending for the purpose of voting as another sign of the value attached to voting rights. Some of that value is extracted at regular company AGMs (annual general meetings), while other value is extracted at times of shareholder activism related corporate actions. We therefore require that these rights are considered and exercised, in order to extract the value associated with them.

As a multi-manager, we delegate (in most instances) the selection of individual securities, to the underlying managers that we select to execute the specific mandate awarded to them. Part of the responsibility of mandating the manager to select securities, includes the voting on those securities i.e. it is the managers that have made the decision to invest in a security, and it is therefore their responsibility to ensure that they maximise the value extracted from that security, to the benefit of the shareholder of that security i.e. our fund and inter-alia, our investors. It is important to understand that we do not support having a disconnect between the decision makers when purchasing a share, and the voting on that share, as the right to vote may have been part of the decision to invest.

We are not concerned that two of our managers in the same fund, vote opposite to each other on the same resolution. This may seem at odds but is in fact consistent with allowing our managers to invest in and divest from shares as they wish i.e. with no outside influence or consideration. In this way, they remain completely accountable for their portfolio performance, including the outcomes of their votes.

When and/or where there is a very important issue that requires a coordinated effort to stop or support a resolution, we may consider voting consistently across all shares held in the name of all our funds and/or investors, across all of our managers. Ultimately the decision to undertake a coordinated vote (or super vote) is based on our view of what is in the long-term interests of our investors collectively (not any single individual / institution). In determining such votes, we may consult our managers and third-party advisors, and may consider best practice guidelines and information on governance standards.

Environmental, Social and Governance (ESG)

ESG integration is the practice of incorporating environment, social and governance factors into the investment process.

- Environmental considerations are those which seeks to protect and preserve the physical environment in which we live;
- Social considerations are those that impact the wellbeing and development of people; and
- Governance considers are those that affect the way we run a sustainable business.

We break up governance into three components as follows:

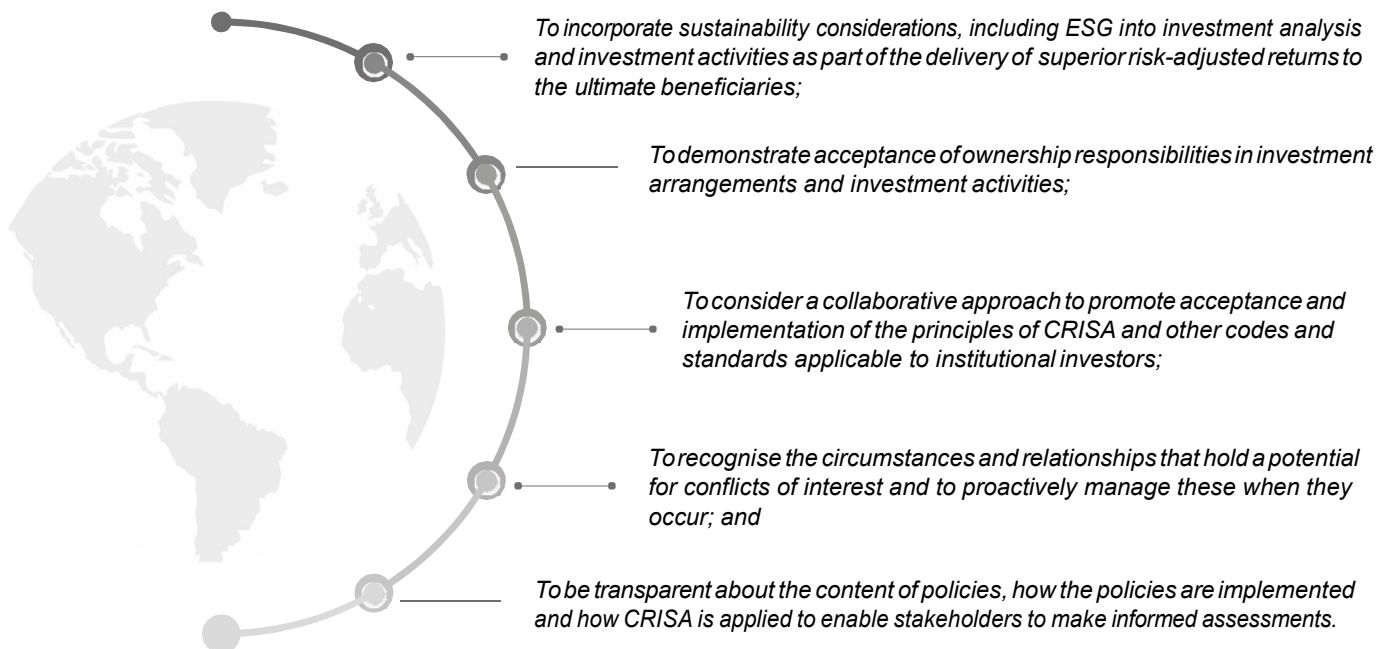
- The first component is governance factors of the underlying managers that are included in our portfolios. Managers must consider environment, social and governance factors in the running of their companies.
- The second component is governance in the investment process of the asset managers.
- The third component is how we incorporate governance factors into our investment process.

Code for Responsible Investment South Africa (CRISA)

As part of our strategy for responsible investing, we endorse the Code for Responsible Investment South Africa (CRISA) which is composed of five voluntary principles that give guidance on how South African institutional investors should execute investment analysis and investment activities to increase engagement and promote governance.

CRISA came into effect in February 2012, has been structured to correlate with United Nations Principles for Responsible Investing (UNPRI) which is the overarching global framework on ESG issues in investment and ownership decision-making practices. In contrast with CRISA which requires companies to endorse the code, companies become formal signatories of UNPRI as it aims to support its international network of investors.

CRISA applies to institutional investors such as pension funds and insurance companies as the owners of assets, as well as their service providers including asset managers and consultants. The code aims to promote managers to ask the right questions and to select responsible custodians for their investments. The five key CRISA principles are as follows:



Our endorsement of the CRISA Code commits us to providing annual disclosure on how the above-mentioned principles are applied at SMM.

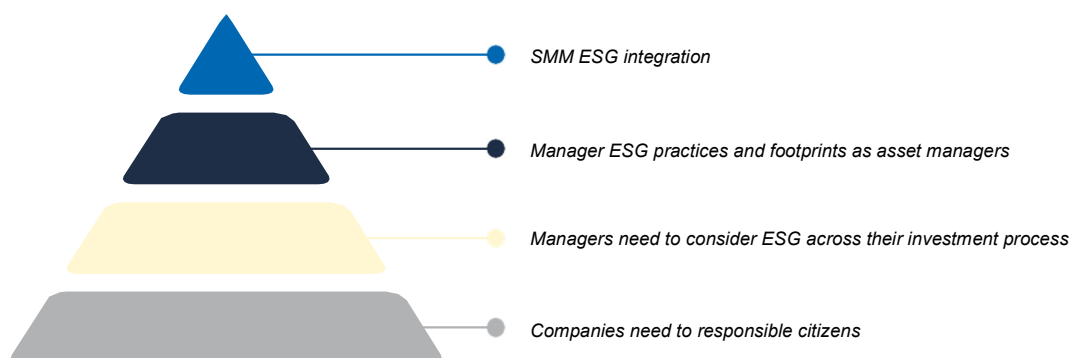
ESG Integration

Four levels of integrations

At SMM, we recognize the value of companies focusing on the triple bottom-line, and how this value translates into higher returns for shareholders. We also recognise that there are sometimes benefits that accrue indirectly through the positive impact on the broader economy, environment and society. These benefits may not be directly measurable but they are nevertheless real. Therefore, as part of our commitment to responsible investing, we consider the risks and opportunities arising from the incorporation of ESG factors into our investment process and that of the asset managers we invest in.

The integration of ESG into our investments happens at four levels:

- At the highest level, we need to integrate ESG into our own investment philosophy and process, as well as our own ESG practices and footprint as a financial service provider. The former means we need to ensure that our asset managers are good corporate citizens and have integrated ESG into their investment philosophies and processes; and the latter means that we ourselves need to behave as good corporate citizens (in addition to our fiduciary responsibilities).
- At the second level, the managers we invest in must consider their own ESG practices and footprints as asset managers.
- At the third level, our managers must integrate ESG into their investment philosophy and process (e.g. in the companies they analyse).
- At the fourth level, the individual companies in which we invest must consider their own ESG practices and footprint.



Integration within components of the investment process

Our current investment process shown in the diagram below incorporates ESG factors into the Manager Research and Operational Due-Diligence Processes, Portfolio Management with a robust overall Investment Governance Framework. Please see our Investment, Risk and Governance framework documents



Manager Research

The manager research process is aimed at producing a high conviction manager “buy list” for use in the portfolio construction process. The process involves two distinct but highly integrated components. The first is quantitative in nature and focused initially on analysing individual portfolio returns, holdings and other important portfolio attributes derived from this information. The second is the qualitative component, which involves due diligence questionnaires and meetings with managers to assess their investment philosophy, process, people, and the physical environment within which they operate (which we refer to collectively as philosophy and process), in the context of their past performance.

As part of our underlying manager due diligence, we inquire about the asset manager’s process for integrating ESG into their investment process. We have created a survey that each of our managers is required to complete in order to facilitate this process. The SMM manager research questionnaire is made up of a set of standardised questions that allow for both qualitative and quantitative assessment of managers. It has been created within a framework that will assist us with final manager selection, help us identify with which manager we need to engage with more, and help us monitor the evolution of managers over time. It is important to note that not being a signatory and endorsee of UNPRI and CRISA does not preclude managers from being selected.

Operational Due Diligence

The Operational Due Diligence focuses on the governance of the asset management company being assessed. This includes understanding their compliance, risk management and operations which includes understanding possible conflicts of interest, proxy voting process and commitment of management to the ESG standards that are set by the company.

Portfolio Management

One of the portfolio management functions is to maintain a relationship with underlying fund managers (appointed managers), to monitor underlying portfolios and to conduct report backs. This is the responsibility of the SMM Portfolio Managers (SMM PMs). The manager research analyst covering the manager will also attend report backs. During these interactions the SMM PMs and/or Manager research analyst will assess whether stock or instrument investment decisions aligns to the manager's ESG policies and processes.

Responsibilities

The responsibilities for this Policy are described in this section.

Chief Investment Officer

- Ensures this Policy is implemented in the business unit
- Ensures development of detailed procedures and establish accountabilities for incorporating ESG into the investment process as outlined by this policy
- Ensure that all applicable employees familiarise themselves with this Policy
- Ensure that all applicable employees adhere to this Policy

Adherence to this Policy

Annual attestation by the Heads of Portfolio Management and Head of Manager Research that this policy has been adhered by the investment team members reporting to them.

Approval and Noting of this Policy

For approval:

- SMM Investment Committee

For noting:

- SMM Executive Committee

Policy Administration

Policy Administrator

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Version Information

Version	Date	Description of changes
SMM Investment Policies July 2017	July 2017	Policies covered ESG and governance structures
SMM ESG Policy	July 2019	Included the use of ESG Surveys
SMM ESG Policy v2.0	January 2021	Removed reference to SMM Governance structures Included how ESG is incorporated as part of portfolio management Reviewed by the SMM Investment Committee
SMM ESG Policy v2.0	March 2021	Approval by SMM CIO on behalf of the SMM Investment Committee

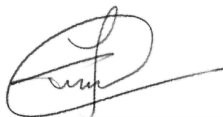
Review cycles

- Annually by the SMM Investment Committee
- Triennially by the SMM Executive Committee

Documents being referenced

- SMM Investment, Risk and Governance Frameworks

SIGNATURE:



Joao Frasco
Chief Investment Officer
STANLIB Multi-Manager

DATE:

05th of March 2021

Legal Notices

Disclaimer

As neither SMM, a division of STANLIB Asset Management (Pty) Limited (“STANLIB”) nor its representatives did a full needs analysis in respect of a particular investor, the investor understands that there may be limitations on the appropriateness of any information in this document with regard to the investor’s unique objectives, financial situation and particular needs. The information and content of this document are intended to be for information purposes only and should not be construed as advice. STANLIB does not guarantee the suitability or potential value of any information contained herein. STANLIB does not expressly or by implication propose that the products or services offered in this document are appropriate to the particular investment objectives or needs of any existing or prospective client. Potential investors are advised to seek independent advice from an authorized financial adviser in this regard. STANLIB Asset Management (Pty) Limited is an authorised Financial Services Provider in terms of the Financial Advisory and Intermediary Services Act 37 of 2002 (Licence No. 26/10/719).

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