MelvilleDouglas
A Member of Standard Bank Group

Environmental, Social and Governance Policy

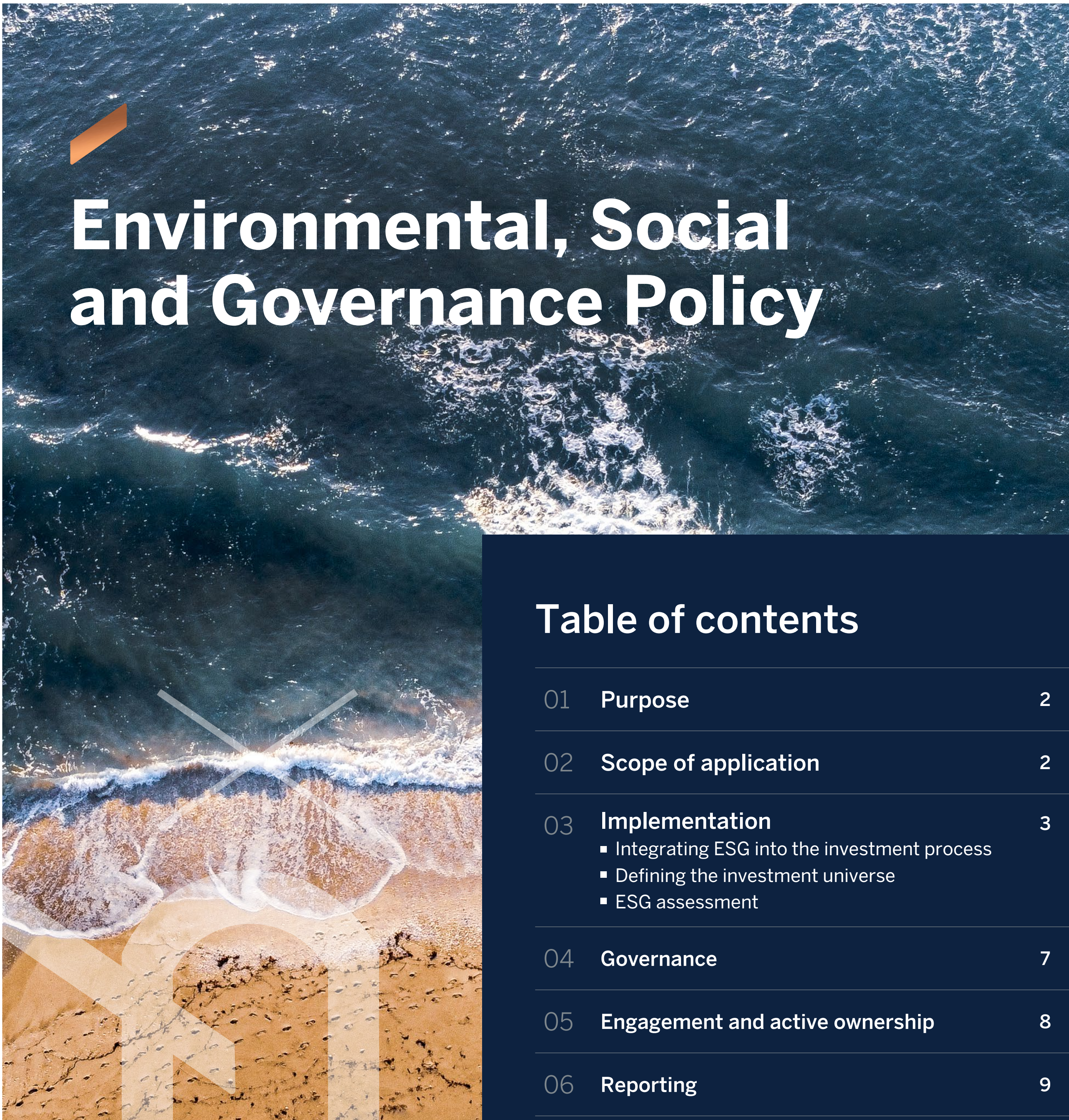

Table of contents

01/ Purpose

Melville Douglas Investment Management Pty Ltd ("Melville Douglas") is on a journey to becoming a Responsible Investor and has drafted a policy to outline in detail how the business will achieve this. We define Responsible Investing as a strategy and practice to incorporate environmental, social, and governance (ESG) factors in investment decisions and active ownership.

This document provides the blueprint for how ESG factors are integrated into the investment process, leading to the construction of investment portfolios that are aligned to our values of responsible investing. We have committed to integrate ESG across all applicable asset classes by the end of 2023, and as the ESG landscape continues to evolve, we expect our policy to develop in line with this.

Why the move towards Responsible Investing?

The effects felt by economies as a result of environmental issues such as climate change, resource scarcity, biodiversity loss and deforestation, and of social challenges such as poverty, income inequality, and human rights, are increasingly being recognised and escalated on a global scale.

As asset managers and custodians of our clients' financial capital, we have a fiduciary duty to act in our clients' best interests by investing in companies that play a vital role in supporting economic activity and sustainability through: enhancing, rather than degrading the natural environment; sustaining societies and their livelihoods; and contributing towards economic stability and a sustainable future. We also believe that by incorporating companies that focus on ESG issues as part of their overall strategy, and thus score high on ESG metrics, we are better able to select superior companies that meet the dual objectives of lowering investment risk and increasing investment returns.

Our collective duty as investors is to drive investment away from business activities that pose inherent negative environmental and societal impacts, towards those that have minimal negative impacts. In addition, we believe that superior companies with a strong ESG culture should be allocated higher discount rates than poorer ESG performing counterparts. In our quest to invest responsibly, we have developed an ESG strategy that includes the integration of ESG across our investment process, allowing us to screen for, and allocate our clients capital to, quality companies with a strong ESG underpin. This strategy will align the business with international best practice standards and global investment trends, where incorporating material ESG information into our investment decisions, meet our objective of improving the long-term financial outcomes of our clients' portfolios.

02/ Scope of application

This policy applies to all investment mandates where Melville Douglas Investment Management (Pty) Ltd has a direct or delegated responsibility, and initially only covers the integration of ESG into the listed equity investment process. It details our commitment to integrate ESG considerations into our overarching investment process, and outlines the ownership, engagement, and oversight mechanisms which underpin our approach to monitoring, and investing in, our selected universe of listed equities.

We recognise our role as a responsible investor and have embraced activate engagement to assist and improve the ESG performance of investee companies in our monitored universe. Furthermore, divestment of active positions in portfolios will be explored when unmanaged ESG factors exceed our risk tolerance, and ongoing engagement with the company is deemed unsuccessful.

It is also our intention to continually work towards expanding the scope of the ESG integration to include all other asset classes and securities that we use in our clients' investment mandates.

Whilst there are currently no Legal and Regulatory factors requiring us to integrate ESG into our investment process, the fiduciary responsibility to our clients, as well as the core values of our company and our employees, has guided us towards becoming a Responsible Investor.

03 / Implementation

Our investment approach hinges on superior stock selection through robust fundamental research. The manner in which equity research is conducted, and investment decisions made, is geared towards selecting companies that will deliver above-average long-term investment returns, with lower risk than that of the market. We have integrated ESG due diligence for every investee company as part of the core research process. Our belief is that companies that focus on, and implement, robust ESG policies and practices are inherently better managed, and of higher quality, thereby delivering a better return outcome when included into an investment portfolio. We understand ESG is not a tick box exercise that can be undertaken in isolation but must form an integral part of the investment process.

- We believe in growing the capital entrusted to us in real terms, and delivering superior risk-adjusted returns on a long-term basis.
- We believe that responsible and successful investing stems from taking a common sense, long-term view, and focussing on deriving a long-term sustainable intrinsic value of an investment, with a sufficient level of confidence. These disciplines help us ensure that we are sufficiently well-informed to pay a price that will, with a high probability, deliver superior investment returns.
- We believe that only through our own in-depth fundamental research, first to interrogate a business's track record and sustainability, then to help establish its future prospects, and finally to derive what we believe to be the most accurate long-term intrinsic value for the business, can we properly understand the true risk of investing.
- We believe that superior long-term investment returns can be generated by buying superior and predictable businesses with strong long-term track records of attractive returns on capital, high quality and predictable earnings growth, and good cash flow conversion rates, at attractive current valuations. Superior businesses have attractive accretive growth opportunities, employ modest levels of financial gearing, have exceptional management, operational competence, and the ability to allocate capital efficiently.
- We are long-term investors who demand a high 'margin of safety' at the point of investing at the point that requires both patience and prudence when making investment decisions.
- We see dividends as a useful way of reducing the cyclical volatility of equity investment returns.

INTEGRATING ESG INTO THE INVESTMENT PROCESS

We recognise our responsibility as asset managers and fiduciaries to ensure our investment process is underpinned by the assessment of material financial and non-financial factors in order to yield sustainable, above-average returns on our clients' investments. We believe that acting as a responsible investor means our investment approach must support the long-term sustainability of the economies, communities, and natural environment in which we operate. Integrating ESG considerations into our investment and decision-making process allows us to better understand, and quantify, how the companies in which we invest are dependent upon, and impact, economic, human, and natural capital. Thus, ESG integration provides us with guidance on how to appropriately manage emergent risks, as well as leverage investment opportunities on the horizon.

Assessing and engaging material ESG factors is vital to the investment process. As a responsible investor, fully integrating ESG into our investment process is a requirement, and intrinsically linked to our overarching investment philosophy. An ESG assessment of a potential investment is a necessary tool for superior stock selection.

We have developed a three phased strategic approach to integrating ESG into our investment philosophy and process, and it includes: having a clearly defined ESG risk management framework; operating as a responsible investor and actively engaging and allocating the capital entrusted to us in accordance with this strategic goal; and creating a competitive advantage by identifying responsible investment opportunities.

MELVILLE DOUGLAS ESG STRATEGY		
Provide a risk management framework to assess and manage ESG risks in our assets under management.	Act as a responsible corporate citizen by investing in companies geared towards building a sustainable future for all.	Create a competitive advantage allowing us to identify and seize appropriate investment opportunities.

We pledge to continuously entrench these principles across our investment approach and universe through:

- Active ownership and engagement to positively influence the adoption of progressive ESG practices in the companies in which we invest.
- Exercising our rights and obligations as shareholders to vote in a manner that promotes ESG aligned business practices.
- Holding ourselves to the same environmental, social, and governance best practice standards we expect of our investee companies.
- Support and educate our clients by developing investment solutions in alignment with their respective ESG-related targets and goals

ESG DUE DILIGENCE

As a part of the risk management framework, we undertake an ESG due diligence during the fundamental research stage to appropriately screen for, and assess, material ESG factors in our investee companies. Including both financial and non-financial criteria in our due diligence ensures we have a holistic view of all the factors potentially affecting our existing or potential investee companies.

The ESG due diligence forms an integral part of the investment process and commences with the initial screening of investments against the Melville Douglas Excluded and Sensitive Activities Policy Statements. These policy statements provide investment guidelines for exclusion or restrictions of activities deemed as controversial or sensitive in nature. Screening is followed by detailed fundamental research, which specifically includes a proprietary ESG assessment, an ESG overview and an investment recommendation evaluated by our independent ESG Committee.

The ESG due diligence places responsibility on analysts to assess and analyse ESG reports, scores, and key performance indicators. ESG data, including company annual financial statements, verified third-party reports, integrated and sustainability reports, annual general management meetings, media reports, and sector specific sustainability assessments, are used. Findings are included in the initiation and evaluation reports that are subject to rigorous debate and require final approval by our investment committees. In addition, annual ESG reports and company guidelines are compiled by our investment analysts to monitor the progress of ESG related issues of companies included in our universe.

We expect our investee companies to comply with local laws, regulations, and ethical standards, as well as disclose relevant ESG information in their annual reports. Our investment teams strive to undertake thorough and rigorous research during our ESG due diligence prior to investing. However, should a material contravention become apparent post the investment process, we will engage as deemed necessary with the investee company to rectify the identified noncompliance.

Matters pertaining to ESG are not limited to our ESG Committee but form a daily part of our investment approach and dialogue, as we are mindful that a robust ESG strategy can only succeed through a seamless integration into our investment processes. Thus, all relevant ESG assessments, scoring, and research discussions are conducted in the relevant investment meetings and not in isolation. This approach is supported by the ESG Committee which provides an oversight and governance structure.

ESG DUE DILIGENCE

Screening of sensitive and excluded industries in alignment with policy statements

Analysts present ESG research and assessment to Investment Teams

Rejected if not in compliance with approved policy statements

Head: ESG provides feedback and where necessary escalates research to the ESG Committee

ESG Committee provides recommendations

Analysts present ESG overview and recommendations to Construction Committee for approval

Approved for investment or placed on monitored list

Rejected if investment case is not approved by Construction Committee

DEFINING THE INVESTMENT UNIVERSE

The process by which we screen and evaluate the investible universe of listed equities to arrive at a list of companies that meet our selection criteria now incorporates ESG factors. ESG factors provide two layers of screening in the investment process, initially through Exclusions and Restrictions, and secondly as a detailed company ESG assessment as part of the fundamental research process.

Investment Universe	Global universe of investable stocks is screened for size and trading volume to provide a diversified and wide opportunity set of liquid, mid to large cap companies
Quantitative Screens	Screen for companies that are EVA positive, have consistent positive earnings growth, and acceptable levels of gearing.
Exclusions and Restrictions (ESG integration)	Exclusion of stocks is guided by global norms, international best practice standards and conventions, and Melville Douglas' Excluded and Sensitive Activities Policy Statement.
Fundamental Research (ESG integration)	Analyst initiation report and continual in-depth coverage of the company, covering the investment thesis, business profile, SWOT analysis, industry/ sector profile and outlook, historical financial metrics, trends and share price performance, and financial forecasting.
Environmental, Social and Governance Analysis (ESG integration)	Proprietary ESG assessment aligned to the SASB Materiality Map methodology and framework and incorporating third party ESG research scores. Approval is required by Melville Douglas' ESG Committee for company to be considered.
Monitored List	▪ Eligible stocks require consensus approval from the investment team to be included ▪ Stocks are actively covered, with research notes, and financial and valuation models being produced ▪ Valuation metrics for each company are adjusted based on their proprietary ESG score ▪ Stock recommendation and 'buy-to' price established
Buy List	▪ Approved by the Equity Committee ▪ List of high conviction stocks that client portfolios may own at a given point in time

ESG ASSESSMENT

The Sustainable Accounting Standards Board (SASB) Materiality Map is used as the overarching framework upon which the Melville Douglas proprietary ESG assessment is based. The SASB Materiality Map is a framework for identifying and comparing material ESG disclosure topics across industries and sectors. The map identifies 26 sustainability-related issues, known as "General Issue Categories", that encompass a range of disclosure topics and their associated accounting metrics, and vary by industry.

The general categories are grouped under five primary topics: Environment, Social Capital, Human Capital, Business Model & Innovation, and Leadership & Governance. From there, sector-level and industry-level mapping identifies how likely an issue is to be classified as material for companies.

For the Melville Douglas ESG Assessment, as the first part in deriving an ESG assessment score for a company, we assess the General Issue Categories for the company deemed to be material, based on the industry and sector the company is in. We apply a Material Category Score to each material category, based on how well we believe the company deals with this issue. The Material Category Score can be either 0%, 25%, 50%, 75%, or 100%, with 0% indicating that the company has not managed this material issue well and it remains a risk, and 100% indicating that the company has managed this material issue well, and it is not deemed to be a risk. A Weighted Score is then calculated. The individual weighted scores are then totalled to provide a Total Weighted ESG Score, which is reflected as a percentage (%). The trend of the company's ESG score is monitored over time and any deterioration in the score will warrant engagement with the company.

For each company on the Monitored List, an ESG assessment will be conducted at least on an annual basis, and the historical Total Weighted ESG Scores are tracked to observe any deterioration or improvement, which may warrant further attention.

04 / Governance

In order to ensure we continue to make informed investment decisions, supported by thorough ESG considerations, we recognise the need for various governance structures to assist in keeping abreast with emerging requirements, risks and opportunities, to ensure the continuous improvement in our process, as well as providing strategic oversight.

Our independent ESG Committee has oversight of all ESG investment activities providing oversight of the ESG policies, ESG integration, engagement, and proxy voting processes.

Its primary purpose is to assist the various asset class committees in establishing frameworks for:

- Assessing environmental, social, and corporate governance issues for their asset class
- Maintaining an appropriate set of proxy voting guidelines
- Overseeing and approving exclusions lists for use in various investment capacities
- Implementing our responsible investment strategy

The Committee reports regularly to the Melville Douglas Fund Boards, the MDIM Board of Directors, and investment committees, summarising voting results, policies, procedures, and other noteworthy items.

05 / Engagement and active ownership

A Proxy Voting Policy has been adopted to guide investment teams on how to exercise shareholder rights in the best interest of our clients. All proxy votes are presented to the ESG Committee for approval prior to submission. Once approved, all votes are recorded, and the results are made publicly available in our annual ESG report. We are cognisant of the challenging environments in which some of our investee companies operate, but we also recognise our responsibility to support their aspiration to becoming high scoring ESG performers across all metrics, to become better aligned with sustainable practices. For this reason, our strategic approach, supported by the ESG Committee, is entrenched in active engagement to support, encourage, and catalyse sustainable business operations.

Our approach to engagement and active ownership includes the following:

- Acting on our responsibility to participate in mandatory governance and proxy voting requirements of our investee companies. Proxy voting is conducted in alignment with the Melville Douglas ESG strategy and associated policy documents. Investment teams are guided by their research and the support of the ESG Committee to cast votes in a manner that aims to achieve the best ESG aligned outcome for the investee companies.

- In our engagements with investee companies, we aim to communicate in a constructive and clear manner that promotes improved ESG performance. Communication should be founded on a mutual understanding of motive and should seek to objectively establish a rationale for change to occur. We expect our investee companies to provide timeous feedback to all ESG related correspondence initiated by Melville Douglas. Where feasible and appropriate, matters will be addressed through the company secretary to ensure that the board is collectively informed about material issues that are being raised.

- In order to ensure the effective communication of proxy voting actions, we will publish voting results in our annual ESG report. Where our proxy voting records indicate a negative vote has been cast, we will, if it is deemed appropriate and beneficial, communicate why it has opposed a particular resolution. Where we feel that it is necessary to communicate with the company in relation to its voting decision, it will be done in advance of the meeting. This ensures that there is sufficient time for engagement to take place, and appropriate amendments to be made to the voting decision.

- Our proxy voting policy will be available publicly. This establishes our position with respect to a range of issues and provides detailed insight into our engagement and active ownership approach. Where engaging is appropriate for a given strategy, we will make an assessment of the issues to ensure that they are relevant, value accretive, and that there are concrete and measurable actions that can be taken. Specific engagement will then take place between the analyst, portfolio manager or engagement team, and the chairman, directors or other officers of the company. In cases where engagement is not successful, we will consider enacting our shareholder rights. These would include using our voting rights, raising resolutions, proposing candidates to the board, calling shareholder meetings, working with other shareholders, and investigating the possibility of legal recourse if required.

- Should we believe that there is a pressing matter that should be considered by shareholders, we will follow the relevant processes to raise a resolution. In addition, we will support resolutions raised by other shareholders if these are deemed to be relevant, applicable, result in improvements in the governance, capital structure and long-term performance of the company, and if they are in the interests of all shareholders.

- Subject to the interests of its clients we may seek to become involved in professional, national, and international initiatives that seek to enhance governance, corporate citizenship, and disclosure practices.

06 / Reporting

Monitoring and reporting progress and impact to stakeholders is a key part of being a responsible investor. The publishing of annual ESG reports will provide key stakeholders such as clients, trustees, employees, and regulators, with information on important ESG related matters that have arisen during the year, as well as progress against goals and targets we have set for ourselves. This will also include reporting on proxy voting, how often we engaged with management on environmental, social and governance matters during the year's measurements, results of thematic and impact contributions made by relevant sustainable investments, as well as relevant investment case studies.

07/ Review and oversight

This policy is reviewed regularly to measure success and determine whether it continues to reflect our core values of being a responsible investor. Furthermore, the ESG due diligence process and supporting documents will be reviewed and monitored for effectiveness, appropriateness, and compliance against the ESG Policy to ensure continuous improvement.

A process and data review is conducted annually by the Non-Financial Risk Team (NFR) as part of ongoing monitoring of the Melville Douglas Business. This review will determine if the ESG process is being undertaken rigorously and accurately, identify gaps and areas of non-compliances as well as interrogate data integrity. Findings are escalated to our ESG Committee and Investment Oversight Committee. This process is essential in ensuring data continues to meet our policy requirements, is complete, accurate and reasonable. This is an independent review and all related documents are maintained by the Non-Financial Risk Team.

08/ Policy statements

The Melville Douglas Sensitive and Excluded Activities Policy Statements are is used to provide guidance to key stakeholders in the negative/exclusionary screening process. Exclusions and restrictions are primarily based on the following:

- Activities in contravention with national or international laws and treaties
- Sectors that do not align to Melville Douglas investment philosophy
- Activities that deliver a materially negative and ESG impact strategy
- Investment could result in Melville Douglas suffering reputational damage

POLICY STATEMENTS

Excluded Activities	Restricted Activities	Sensitive Activities
Strict exclusion, no investment possible	Investment possible with limitations/restrictions on the extent of investment	Investment possible subject to an enhanced due diligence

Excluded Activities

- Forced labour or child labour
- Illegal activities by law or international agreement
- Activities involving ozone depletion substances
- Trade in endangered wildlife, flora and fauna
- Cross-border trade in waste
- Wildlife and trophy hunting
- Unbounded asbestos
- Prostitution and pornography
- Activities involving the destruction of high conservation value areas
- Racist and anti-democratic media
- Conflict Minerals

Restricted Activities

- Alcoholic beverages
- Forestry/Commercial logging
- Nuclear power generation
- Gambling, casinos and equivalent enterprises
- Tobacco
- Thermal coal
- Weapons and ammunition

Sensitive Activities

- Hydraulic fracturing
- Palm oil
- Activities relating to animal welfare
- Radioactive materials

It's Personal.

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