

Integrated Responsible Investment and Stewardship Guidance



INTEGRATED RESPONSIBLE INVESTMENT AND STEWARDSHIP GUIDANCE

We believe that careful consideration of material ESG factors can lead to better investment valuations and informed investment decisions for our clients. The purpose of this document is to communicate our integrated responsible investment approach based on our Principle Based Investment Framework.

Investec Wealth & Investment International (Investec W&I) believes Integrated Responsible Investment should include:

1. Investec W&I analyses governance prior to investment and when monitoring funds.

Fundamental analysis to include governance analysis of all new companies that are being considered for investment. Material governance concerns must be highlighted for engagement if a decision is made to invest in the company. Our voting decisions should consider these governance issues at the next AGM. Company governance to be monitored following investment in the company.

2. Effective integration of material ESG factors for better earnings projections and valuations.

Material ESG factors identified. Adjustments made to expected future earnings. Valuations adjusted for future earnings impact. A valuation discount or premium is applied where specific earnings adjustments are not practical.

3. Effective engagement with clear purpose that meets requirements of third parties, including PRI and clients.

An engagement process that ensures appropriate resources are in place to focus on engagements that preserve and enhance value.

Engage with investee companies with the aim of preserving or enhancing value on behalf of beneficiaries or clients. Carefully consider collaborative engagement with other investors to enhance engagement outcomes.

4. Shareholder and special meeting resolutions are voted timeously in the long-term interest of clients.

Implement an effective voting system that considers analyst and Portfolio Manager views, while ensuring the voting decision is made in the long-term interest of clients.

Vote shares held and make informed and independent voting decisions, applying due care, diligence, and judgement across the entire portfolio.

Supporting action to implement integrated Responsible Investment:

- A corporate governance framework to guide integration of governance into investment analysis and decision making. The framework to require engagement and voting at the next AGM if material governance issues are identified.
- A playbook to guide engagement and the documentation of engagement progress.
- A standard engagement framework and format to focus engagement and to record engagement progress for reporting purposes.

A responsible investment process in October 2023 helped confirm our integrated investment approach:

- It was noted that responsible investment analysis and reporting was already incorporated in funds research.
- It was agreed that responsible investment factors should continue to be considered and included when material.
- Equity analysts will have some discretion regarding the integration method (adjusting cash flows or discount rates) but there should be consistency within each sector.
- Fixed income analysis should also incorporate responsible investment considerations and credit analysts should cooperate with the relevant equity analyst where possible.
- Responsible investment analysis should be incorporated in private equity research given the long-term nature of private equity and limited scope for engagement to be effective.
- Engagement can lead to better risk adjusted returns for clients.

The Responsible Investment process again confirmed our belief that integrating responsible investment (material ESG factors and stewardship) leads to better investment decisions. Systemic and idiosyncratic risks will impact the future earnings of companies, change sovereign and credit risk and impact private equity opportunities, including underlying earnings. Climate change, safety, water scarcity, human rights issues and different governance cultures or leadership, can lead to material earnings, cash flow and market pricing impact. These trends, risks and opportunities will also provide new revenue earning possibilities - such as renewable energy, water technologies, waste management, insulation, education, training, climate solutions, including many other opportunities.

Investing client capital into this uncertain future requires selective integration of material ESG factors into our investment analysis and decision making. Our integration approach enables flexibility across investment teams, depending on client mandates, strategy, and asset class. The financial materiality of ESG factors can vary by issuer, sector, product, mandate, and time horizon. Sustainability or ESG factors are complex and require careful consideration. We make use of stewardship (engagement and voting) to reduce investment risk and support our investment decisions on behalf of our clients. The engagement process contributes to our identification and understanding of risk and opportunity.

Our diverse and experienced investment teams are empowered to identify material risk and opportunity, including the timing of the financial impact. They are supported with third-party ESG and sustainability research and data. We develop proprietary tools internally and provide relevant education from time to time.

The Responsible Investment integration process across public and private equity, credit and sovereign asset classes includes the following steps:

Step 1: Exclusion

Investec W&I implements personal investment mandates for clients worldwide. The investments made on behalf of clients, reflect the clients' individual preferences, expectations, and opportunities.

Exclusions can be requested by a client with a bespoke discretionary mandate. Exclusions will be added if there is a regulatory requirement.



Step 2: Assessing and monitoring investee companies.

Investec W&I considers governance prior to investment and when monitoring funds.

Company fundamental analysis must include the corporate governance system (interrelated elements that interact to reduce risk and add value). Analysis must include governance of all new investments that are being considered for investment. Material governance concerns are to be highlighted for engagement, where, despite the governance issue, a decision is made to invest in the company. At the next AGM, voting decisions should respond appropriately to the governance issue. Governance to be monitored on an ongoing basis following investment on behalf of clients.

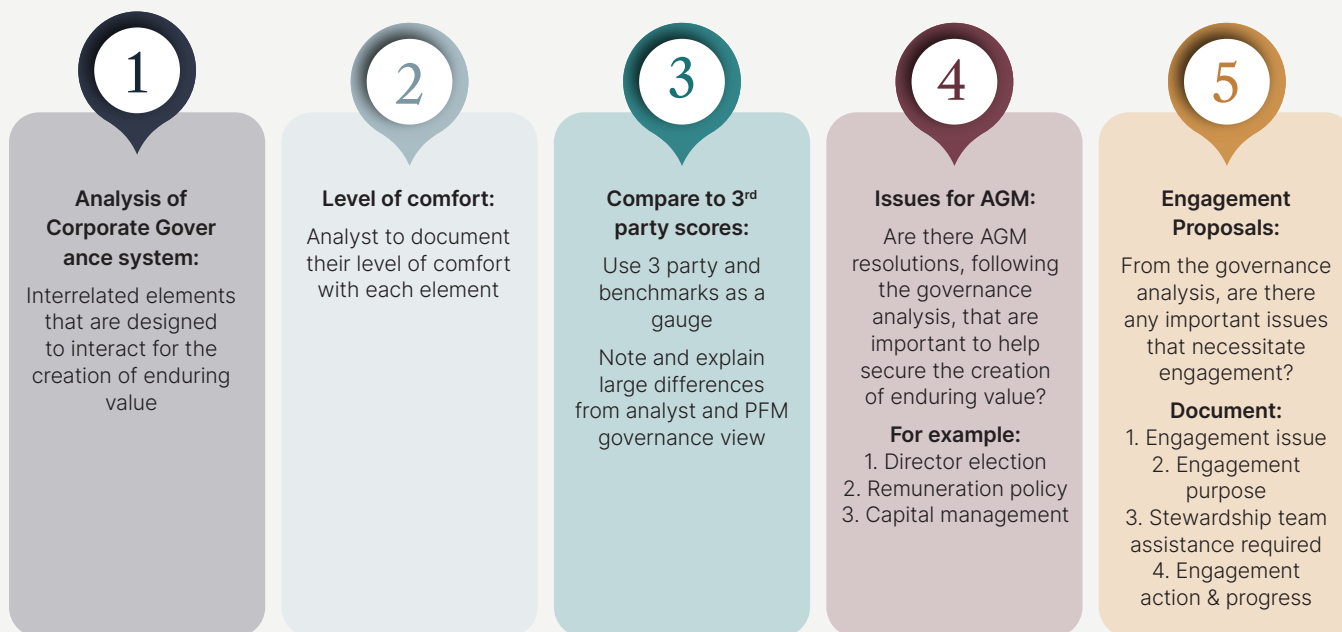
The material Corporate Governance system elements are set out in the Integrated Corporate Governance Framework below.

Action required:

- Analyst to document the company business model.
- Document and understand the company strategy.
- Understand the system of governance that is in place to hold executives accountable for the implementation of strategy.
 - The governance system must align with and support strategy, while encouraging a culture of value creation.
 - Election and re-election of directors must consider skills, track record, diversity, independence and overall suitability for the company strategy.
 - The remuneration system to encourage strategy implementation with appropriate performance criteria for the short, medium and long-term.
 - Comprehensive enterprise risk management system in place to identify and mitigate risk.
 - Information system must ensure transparent, accurate and complete information.
 - An assurance process assists directors to hold executives accountable to the board for risk management.
 - A capital management system is in place to ensure the allocation of capital in support of strategy.
 - From the governance analysis, are there any important issues that necessitate engagement?
 - Are there AGM resolutions that are important to support the engagement objective and help secure the creation of enduring value?
- Document the level of comfort for each element of the system of governance as per the Integrated Governance Framework below.
- Compare the level of comfort to third - party research ratings.
- Document the reasons for material differences between third - party research and the analyst's view of the governance system.

Integrated Corporate Governance Framework:

A system to lead and control an organisation for the creation of enduring value



Corporate Governance system for the creation of enduring:

| | | | | |
|--|---|--|--|-------------------------|
| | Commitment | System aligns with and supports strategy while encouraging a culture of value creation | <ul style="list-style-type: none"> Integrated annual and sustainability report descriptions 3rd party scores | Level of comfort |
| | Board of Directors Structure and Functioning | Board skills, track record, diversity, independence and suitability for company strategy | <ul style="list-style-type: none"> Board structure Skills Matrix Performance Process Succession Planning | VL |
| | Remuneration | Encourage strategy implementation with appropriate performance criteria in the short, medium and long-term. Fair and transparent. | <ul style="list-style-type: none"> Remuneration policy STI and LTI criteria and metrics | L |
| | Risk Management | Comprehensive ERM system to identify and mitigate risk | <ul style="list-style-type: none"> Reporting structure Material Risks Controls to mitigate risk | M |
| | Transparency and Disclosure | Information system ensures transparent, accurate and complete information and disclosure that enables stakeholders to make informed decisions | <ul style="list-style-type: none"> Reporting structure Quality and accuracy of reporting | H |
| | Assurance to the Board | Integrated assurance process assists directors to hold executives accountable to the board for risk management, including transparency and disclosure of information | <ul style="list-style-type: none"> External & internal audit Risk management Compliance | VH |
| | Capital Management | Effective system to allocate capital in support of strategy | <ul style="list-style-type: none"> Clear accountability and process Return vs cost of capital track record | Level of comfort |

Step 3: Integrate material Environmental, Social and Governance factors into investment analysis and decision making for the creation of enduring value.

We strive to continuously identify and improve the integration of material ESG factors for better earnings projections and valuations.

Our broad guidance takes into account the limited data available, data accuracy and ongoing changes to sustainability disclosure requirements - we recognise that global data and disclosure is improving - however, more progress is required to ensure access to better decision useful information. Investec W&I therefore does not have a uniform approach to ESG integration. Instead, we look to play to analysts' strengths and to curate industry-specific approaches based on current information available to analysts and sector nuances.

Our current broad analyst integration guidance is as follows. Our approach will continue to evolve as global data and disclosure improve.

- Material ESG factors to be identified by analysts and documented.
- Adjustments made to expected company future earnings for the material factors identified and selected.
- Material earnings adjustments to be explained and documented in the analyst research report.
- Valuation basis documented with appropriate adjustment for future earnings impact.
- Based on analyst experience and judgment, a valuation discount or premium may be applied where specific earnings adjustments are not practical.

Step 4: Stewardship

Effective engagement with clear purpose implemented that meets requirements of third parties, including PRI and clients.

We engage with the aim of preserving or enhancing value on behalf of beneficiaries or clients and are prepared to collaborate with other investors to enhance engagement outcomes.

We seek to vote all shares held and make informed and independent voting decisions, applying due care, diligence, and judgement across the entire portfolio in the long-term interests of our clients.



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Action required:

- An engagement process has been developed to preserve and enhance value.
- The process requires credit and equity engagement to be aligned.
- The engagement process is documented and each engagement undertaken must be documented.
- Each engagement must have a specific purpose. All material engagements require a plan aligned to the specific purpose.
- Our decision to engage is only made after our capacity to make an impact and preserve or enhance value has been carefully considered.
- We are open to collaborative engagement opportunities. Again, only if we are of the opinion that the proposed engagement can preserve or enhance value.
- Regulation, including acting in concert risk, must be carefully considered prior to any engagement decision.
- A proprietary playbook is available to guide engagement action.
- All engagement action is documented using a standard engagement template.
- Our voting system considers analyst and PFM views, while ensuring the voting decision is made in the long-term interest of our clients.
- ISS recommendations (third party voting research) is considered as a starting point.
- The stewardship team analyses the ISS research.
- The stewardship team and analyst responsible for the company agree with or dissent with ISS recommendations. They must ensure the voting decision aligns with the long-term interest of the company and our clients.
- Reasons for any voting against or abstentions (rationale) must be documented.

What we need from companies:

As we continue our journey to improve the integration of material ESG factors into investment analysis and decision making, more progress is required to ensure access to better, decision useful information. We encourage companies to:

- Understand how investors are integrating sustainability into valuation.
- Communicate information on their sustainability strategy in a manner that supports better integration.
- Align with emerging leading sustainability disclosure such as IFRS S1 and S2.
- Communicate clearly to all stakeholders what action they are taking to implement an integrated sustainability strategy.
- Be transparent about their sustainability strategy challenges.
- Disclose what they consider to be their most material ESG issues.
- Encourage ongoing dialogue with investors to ensure investors better understand their sustainability strategy and the action they are taking to manage the material ESG issues.
- Connect sustainability strategy with company value proposition and prospects.
- Ensure a clear line-of-sight between sustainability strategy and valuation drivers.

Our continuing integration journey:

- We will support analysts to include material ESG factors in fundamental valuations.
- We will continue to improve communication with companies so that they better understand our information needs and how we use it in our investment process, particularly the link to valuation.
- Work with third-party research providers to ensure material ESG factors are integrated into their fundamental valuation processes.
- Encourage third-party research providers to transparently disclose their integration methodologies and the material ESG factors that have been integrated into their research.

