

Cachalia Capital Responsible Investing Policy

1. Introduction

Cachalia Capital manages funds on behalf of its client on a fiduciary scope. In performing this duty, Cachalia Capital believes that responsible investing (RI) should be part of the research process in evaluating current and potential investments. "Responsible investment is the integration of environmental, social and governance (ESG) considerations into investment management processes and ownership practices in the belief that these factors can have an impact on financial performance."¹

This Responsible Investing Policy sets out our guidelines and approach on how Cachalia Capital performs its stewardship duty pertaining RI. Also, this policy should be read in tandem with Cachalia Capital's Proxy Voting Policy.²

2. Philosophy

We believe that relevant and material ESG issues can meaningfully affect investment performance. Therefore, as responsible stewards of our clients' assets, we employ a disciplined investment process that includes an integrated evaluation of ESG factors.

We subscribe to the principles set out in organisations such as the United Nations Principles of Responsible Investing (UNPRI), Code for Responsible Investing in South Africa (CRISA), Sustainable Development Goals (SDGs) and so on. We are not yet signatories of these organisations but do have aspirations to be signatories in the near future.

¹ UNPRI: <https://www.unpri.org/download?ac=5205>

² Cachalia Capital Proxy Voting Policy is available on request

3. ESG Integration

ESG analysis is integrated in to our investment research process, decision-making, and ongoing investment monitoring. We believe this holistic approach to assessing risks and opportunities enhances our investment process. During ESG analysis, the focus is on material ESG issues that are considered likely to affect corporate performance and ultimately investment performance.

We are active owners on all investments that we make on behalf of our clients. As active owners, we will engage with company management and board of directors. These engagements usually take the form of proxy voting and direct management engagement.

a) Proxy Voting

Our Proxy Voting Policy guidelines outline how Cachalia Capital intends to vote on resolutions tabled by investee companies.³

b) Management Engagement

When there are concerns in the underlying investee company(s), we engage company management to raise our concerns. In the event that such engagement does not yield appropriate outcomes, we will raise the matter with the board. Should that also not yield appropriate outcomes, we will use our voting power in AGMs and will also reconsider our position in such a company.

Where appropriate, we also collaborate with like-minded shareholders to engage with the company. Furthermore, we will support/participate in appropriate networks and platforms that seek to promote responsible investing within the industry.

4. Accountability

Each analyst is responsible for incorporating ESG matters into their research analysis when conducting valuation research on a company. Any material ESG issues that arise are discussed in our research meeting and appropriate action(s) taken by the portfolio manager with analyst input.

³ Cachalia Capital Proxy Voting Policy is available on request

Due to the size of our board, three directors, we do not have a dedicated ESG committee. Instead, the portfolio manager (and managing director) reports directly to the board on ESG matters.

5. Reporting

We are committed to transparently report on all our investment activities as well as how we implement responsible investing. We report back regularly to our clients and these report backs include a portion of our approach to responsible investing. Furthermore, we also engage consultants and participate in industry surveys concerning responsible investing.

6. Responsible Investing Principles and Sustainable Development Goals

Below is a list of guiding principles and goal that we align our investment process with in integrating RI into our investment process:

a) United Nations Principles of Responsible Investing⁴

1. We will incorporate ESG issues into investment analysis and decision-making processes
2. We will be active owners and incorporate ESG issues into our ownership policies and practices
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest
4. We will promote acceptance and implementation of the Principles within the investment industry
5. We will work together to enhance our effectiveness in implementing the Principles
6. We will each report on our activities and progress towards implementing the Principles.

⁴ UNPRI: <https://www.unpri.org/download?ac=5205>

b) Code for Responsible Investing in South Africa⁵

1. An institutional investor should incorporate sustainability considerations, including environmental, social and governance, into its investment analysis and investment activities as part of the delivery of superior risk-adjusted returns to the ultimate beneficiaries
2. An institutional investor should demonstrate its acceptance of ownership responsibilities in its investment arrangements and investment activities
3. Where appropriate, institutional investors should consider a collaborative approach to promote acceptance and implementation of the principles of CRISA and other codes and standards applicable to institutional investors
4. An institutional investor should recognise the circumstances and relationships that hold a potential for conflicts of interest and should pro-actively manage these when they occur
5. Institutional investors should be transparent about the content of their policies, how the policies are implemented and how CRISA is applied to enable stakeholders to make informed assessments.

c) Sustainable Development Goals⁶



⁵ CRISA: <https://www.iodsa.co.za/page/CRISACode>

⁶ SDG: <https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals>