AFENA CAPITAL

RESPONSIBLE INVESTING POLICY

NOVEMBER 2019

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AFENA CAPITAL

Responsible Investing Policy

Afena Capital is a signatory to the United Nations Principles of Responsible Investing (UNIPRI) and fully endorses the Code for Responsible Investing in South Africa (CRISA Code).

According to the UNPRI, Responsible Investment is an approach to investment that explicitly acknowledges the relevance to the investor of environmental, social and governance factors, and of the long-term health and stability of the market as a whole. It recognises that the generation of long-term sustainable returns is dependent on stable, well-functioning and well governed social, environmental and economic systems. At Afena Capital, we believe that Responsible Investing enhances the depth and breadth of the investment research process and assists in the consideration of a wider range of risks and opportunities within the universe of companies in which we invest in on behalf of our clients.

We have adopted two approaches as the pillars of our Responsible Investing strategy:

- ESG integration into investment processes in order to help investors make more informed investment decisions
- Being an active shareowner by undertaking voting and engagement activities

These approaches are discussed below as follows:

ESG integration into the investment process

As a valuation focused investment manager that makes long-term investment decisions, we implicitly assess all factors that will affect the long term sustainable performance of an asset, including issues of an environmental, social and/or governance nature.

Our investment analysts are required to undertake ESG research and analysis as part of the fundamental bottom up research process on individual stocks. Therefore, ESG factors are taken into consideration when we assess the long term sustainability of an asset and are embedded in our valuations. Our analysts produce ESG summary reports for individual stocks whereby companies are scored on ESG factors and the reasons for the scores are explained. These summary reports are available to our clients on request, please see an example on the next page:

Richemont

Environmental, social and governance considerations

Impact on the Environment	Score	Commentary
Environment - Nature of the industry	6	Positively influence suppliers' behaviour through the model Supplier Code of Conduct and collaborating with the Responsible Jewellery Council (RJC)
Environment - Conduct within its industry	7	Low, direct impact on biodiversity Careful disposal of waste products and reduced impact on climate change Energy-efficient design and energy saving measures to minimise carbon emissions Programme of carbon offset purchases
Environment - Potential or contingent liabilities	9	This high margin business is currently in a very cash flush postion, making financial risk very low.
Total	73%	It is clear that CFR takes its environmental responsibility very seriously and continues to seek out

Impact on Society	Score	Commentary
Social - Impact on society	5	Whilst in its current form, CF can be considered a neutral company, one needs to keep in mind that its product offering could create a culture of unnecessary overspending and/or ostentation
Social - Labour practice	7	Two thirds of employees are based in Europe and non in Asia Training is a key component of the Maison's success and is fully integrated in the performance and
Social - Corporate social investment	7	Focus on charitable involvement, sponsorship, training, apprenticeships and responsible citizenship During FY12, total community spend was €18m, equivalent to 1% of profit before tax. Some 95% of the community spend takes the form of cash donations.
Total	63%	CSI involvement and continued training and development will remain a focal point of the Group.

Governance	Score	Commentary
Governance - Regulatory compliance	5	CFR seems to comply within the necessary Swiss regulatory framework. Despite the SA's < 0.3% headcount, the Group complies with all necessary SA regulatory requirements.
Governance - Corporate governance compliance	1	Apply the Swiss Code of Best Practice for corporate governance which falls short of global best practice and the governance standards contained within King III. Against best practice, J Rupert had occupied both the positions of executive chairman and CEO. The board constitutes very little independent directors. Lead independent director could be considered non-independent due to his 16 year tenure.
Governance - Remuneration structures	1	CFR has the highest total board remuneration expense in the JSE Top 40 with non-executive fees at CHF 200k and Deputy CEO remuneration at EUR8.2m seemingly excessive in the context of peer comparisons. The compensation committee comprises 0% independent directors compared with a recommended
Total	23%	Improving, through the appointment of new independent Board members but still a long way to go.

Final score	**53%**	Across the board, we expect to see ongoing improvements, particulary from a Corporate Governance point of view.

Source: Afena Analysis

Active Share Ownership – The Proxy Voting Policy

Afena Capital views seriously its responsibility to exercise voting authority over securities which form part of our clients' portfolios.

Proxy statements increasingly contain material issues involving shareholder rights and corporate governance issues, among others, which deserve careful review and consideration.

Taking this into account, this Policy Document, in addition to the King Reports on Corporate Governance, is intended to provide guidance on how to vote on proxies on behalf of our clients' assets.

Afena Capital believes that the principles contained in the Proxy Voting Guidelines are important considerations in furthering good corporate governance. However, Afena Capital recognises that some of the 'Guidelines' may not be appropriate for every situation, due to a company's differing developmental stages, ownership structure, competitive environment etc.

Proxy Voting Guidelines

A. Board Composition & Directorship

i. Independent Director

Board membership should comprise a balance of executive and non-executive directors who have broad experience and are in a position to act independently. Afena Capital supports resolutions that lead to an increase in the number of independent ("independence" as defined in King II) non-executive directors with a minimum of 25% of the board comprising independent non-executive directors and preferably leading to a majority of independent directors

ii. Separate CEO and Chair positions

Afena Capital generally supports the election of an independent non-executive Chairman so that the Board represents the interests of shareholders, not executive management.

B. Share Capital

i. Placing unissued ordinary shares under the control of the directors

Generally, Afena Capital opposes resolutions that place unissued ordinary shares under the control of the directors, as any further issues would dilute existing shareholders. Any such actions should thus be specifically motivated to shareholders through calling a general meeting on an ongoing basis.

ii. Providing the directors the authority to issue shares for cash

Generally, Afena Capital opposes resolutions that provide directors the authority to issue shares for cash, as any further issues would dilute existing shareholders. Afena Capital would want a separate resolution at the time of any further issue with the appropriate motivation provided by management, rather than providing management with a general control over the unissued shares.

iii. Authority to repurchase shares

Afena Capital acknowledges that share repurchases have the potential to result in earnings enhancements for a company. Generally, Afena Capital supports resolutions that allow share repurchases but remaining cognisant of the impact on the "free float" of the company and where the share repurchase could have a material negative impact on liquidity.

iv. Dual Capitalisation, Preferential Voting Rights

Afena Capital opposes proposals to divide share capital into two or more classes or to otherwise create classes with unequal voting and/or dividend rights. Afena Capital is concerned that the effect of these proposals, over time, is to consolidate voting power in the hands of relatively few insiders disproportionate to their percentage ownership of the company's share capital as a whole.

v. **Repricing or issuing of options at a discount**

Afena Capital opposes proposals that allow for the repricing or issuing of options at a discount. Afena Capital does however acknowledge that not re-pricing certain share options may not align the interests of management and shareholders and there may be instances in which shares may not be voted in strict adherence to this guideline.

vi. **Dividend Policy**

Afena Capital considers whether company management is adopting an appropriate and well-motivated dividend policy on a case-by case basis. The following issues relating to the payment of dividends are put under scrutiny:

- Whether dividend payment will put undue strain on cash resources and the capital base of the company, particularly with respect to material special dividend payments.
- Where no dividend is declared, reasons should be provided on whether this is justified based on the historical performance of the company.

vii. **Corporate Actions**

Afena Capital regards our investments in listed companies on behalf of our clients as representing part ownership of the underlying businesses as represented by the shareholding. Where a company we hold shares in on behalf of our clients is subject to any corporate action, Afena Capital supports resolutions that will maximise value for shareholders based on our assessment of the intrinsic value of the underlying business.

viii. **Black Economic Empowerment Transactions**

Afena Capital fully endorses and supports the black economic empowerment process that is such an integral part of the transformation of the South African corporate landscape. As with general corporate actions where a company we hold shares in on behalf of our clients is subject to any corporate action, Afena Capital supports resolutions that maximise value for shareholders based on our assessment of the intrinsic value of the underlying business. In the case of black economic empowerment transaction, Afena Capital will tolerate initial dilution of up to 5% of our assessment of the intrinsic value of the underlying business depending on the broad based impact of the transaction.

C. Environmental Issues

i. **Environmental Hazards**

The public has a right to know whether a company uses substances that pose an environmental, health or safety risk to a community in which it operates. Afena Capital supports resolutions that ask for the adoption of a policy that makes information available to enable the public to assess a company's potential impact.

ii. **Environmental Reports**

Afena Capital supports resolutions asking companies to prepare general reports describing environmental management plans.

You are most welcome to contact us to discuss any of the matters contained in the Responsible Investing Policy should you require further clarification. To do so please contact:

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AFENA CAPITAL

APPENDIX A

SUMMARY OF CODE FOR RESPONSIBLE INVESTING (CRISA CODE)

The Code for Responsible Investing in South Africa (CRISA) gives guidance on how the institutional investor should execute investment analysis and investment activities and exercise rights so as to promote sound governance.

There are five key principles:

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 proactively 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.

CRISA applies to:

- Institutional investors as asset owners, for example, pension funds and insurance companies
  AND
- Service providers of institutional investors, for example, asset and fund managers and consultants

Source: Institute of Directors of South Africa, Code for Responsible Investing in South Africa 2011

APPENDIX B

THE UNITED NATIONS PRINCIPLES FOR RESPONSIBLE INVESTMENT

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

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.

The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. The process was convened by the United Nations Secretary-General.

In signing the Principles, we as investors publicly commit to adopt and implement them, where consistent with our fiduciary responsibilities. We also commit to evaluate the effectiveness and improve the content of the Principles over time. We believe this will improve our ability to meet commitments to beneficiaries as well as better align our investment activities with the broader interests of society.

Source: UNPRI Secretariat; www.unpri.org